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EDITOR'S COMMENT

The world revolves around trust and this is increasingly important for retailers. Whether that's trust between a retailer and its investors, suppliers or its customers, once gone it is very hard to earn back.

The rise of social media and ratings and reviews is flowing into different areas of retail where the voice of empowered customers, as a single voice or collective crowd, has to be listened to by retailers. But should retailers provide a friendly ear or join in the collective conversation and if so do it in public or through private channels?

And what of your most ardent followers; those customers who seem to spend their waking hours on your forum, blogging about your customer service, reviewing products or adding content to your site? Are they rewarded or recognised in any way? Philip Buxton's article on social media and the Zappos example on p23 is a must read.

The balance of the relationship between customers and retailers is changing and Vendor Relationship Management intends to flip it even further. The up side for retailers is that they will no longer have to 'guess' what their customers want but allow them to tell you what they intend to buy. Push flips to pull as competing for customers' attention moves to receiving their intentions.

Emma Herrod
Editor



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NEW SITE FOR TOYS 'R' US

Toys 'R' Us has launched the fourth version of its website choosing, this time, to build it on the Hybris Commerce Suite. Coremetrics has been chosen to improve online customer experience and increase sales.

"Our prime objective was to make our website more intuitive and easier to navigate," says Mike Coogan, Marketing and Ecommerce Director at Toys 'R' Us. "The Hybris platform has enabled us to build a functionally rich ecommerce solution, with sophisticated analytical tools, that will allow us to adapt and continually enhance our online presence as we expand our range of products and services over the coming years.

"The size and diversity of our product line — from books to pushchairs — means that taking a consistent and co-ordinated approach to Product Information Management (PIM) and pricing is essential".

Andrew Piscina, Hybris's UK country manager, added that "Toys 'R' Us's extensive range of toys and services requires a highly scalable, functionally rich ecommerce solution based on a PIM platform, which will also enable it to take full advantage of new Web 2.0 capabilities."

The Coremetrics Analytics and LIVEmail systems will provide a single resource for planning, measuring and testing integrated marketing as well as enabling the retailer to benefit from robust visitor and customer behavioural data.

Richard Sheppard, VP and General Manager of Coremetrics EMEA commented: "In the competitive market, retailers can create cut through with relevant and targeted offers. Our advanced web analytics will equip Toys 'R' Us with deeper insight into their visitors, enabling them to recapture abandoned shopping trolleys and grow more profitable customer relationships."

TOYS & HOBBIES WEBSITES, RANKED BY SHARE OF UK VISITS

Rank	Website	Market share (%)
1	Toys R Us - UK	6.00
2	LEGO Worlds	5.62
3	Wilkinson Plus	3.29
4	Lego shop at home	2.49
5	Do Crafts	2.32
6	Early Learning Centre	2.17
7	Firebox.com	2.00
8	I Want One Of Those	1.99
9	Create and Craft	1.56
10	Barbie	1.37
11	My Scene	1.29
12	Build-a-Bear Workshop UK	1.15
13	Disney Store - UK	1.13
14	British Model Flying Association Classifields	0.91
15	Party Delights UK	0.91

Source: Hitwise UK

AFFILIATES LOSE OUT

Despite the economic downturn, just 30% of affiliates see the recession as a threat to their affiliate marketing business, suggesting that there is an opportunity for marketers looking for a cost-effective means of digital marketing. The second affiliate census report by Econsultancy and Affiliate Window has found that a third of full-time affiliates are now generating sales of at least £50,000 per month for their merchants. This is in line with the explosive growth in the industry.

Econsultancy Research Director Linus Gregoriadis said: "Affiliates are as passionate as ever about this industry and are generally very optimistic about their prospects. This sector has generally become much more professional. However, as a community, publishers feel they could generate more sales and leads for advertisers if there was better and more communication with merchants."

Along with Google's entry into the affiliate marketing space, the rise of voucher code sites is seen by affiliates as the biggest threat to the sector.

Gregoriadis added: "Voucher code and cash-back sites, which are becoming increasingly popular because of the economic crisis, continue to polarise the industry because many affiliates say they are missing out on commission.

"Many consumers are going to these sites just before they make an online purchase which means these sites are getting the credit. This ties in with quite a lot of dissatisfaction with the 'last click wins' model for paying commission to affiliates."

ARGOS HITS 70K REVIEWS IN 24 HOURS

Argos collected 70,000 product reviews in one 24 hour period in January following an email campaign to all customers who had either purchased or reserved a product during December.

The staggering number easily beat the previous 24 hour record of 40K reviews collected by ratings partner Bazaarvoice for a large US client. Anna Skaya, Bazaarvoice Community Manager in the UK, commented that distribution of the product review emails was postponed in December due to the high level of present buying which could have led to a lower level of response. The January campaign achieved a response rate of 3%.

Skaya commented: "The Argos decision to hold all email until January was an important one from a level of return perspective. It also ensured that fresh reviews were received ahead of their January catalogue launch, a key milestone in their trading calendar. We were

under pressure to process and moderate the content quickly and accurately - Argos requires the highest degree of moderation so no drop in SLA or quality would be acceptable!

"The epic success of this campaign is not only based on the sample size. The internal Argos team followed our post-purchase email best practices: send out the email on a Tuesday or Wednesday between 10am and 4pm when most people are at the office as this is when review submissions seem to be most prolific. We also recommend waiting to send Christmas post-purchase emails until after the holidays, to help ensure a better return of high quality reviews. This not only generates more relevant content as the gifts have been opened and the returns have been made, but it will also increase review volume, since most people are now back in their normal routine."

A LICENCE TO LOSE MONEY

Online furniture retailing in the UK has become a 'license to lose money', claims Julian Field, Founder and Chief Executive Officer of Furniture123.co.uk. The company, which was the UK's first online furniture retailer, is celebrating its 10th anniversary.

Commenting on the market, Field said: "As the online market only represents 5% of the overall furniture market it is now one of

the most over-supplied sectors of our industry. Today there are literally thousands of transactional furniture websites in the UK including several major players such as Argos, IKEA, Tesco and ASDA."

"Selling furniture online in the UK is now a licence to lose money for newcomers. The over-supply in the market has led to intense price competition resulting in pressure on margins and reduced levels of

orders for everyone. There is little doubt in my mind that over the long term online shopping for furniture will continue to grow in popularity in the UK and in that sense at least I am optimistic for the future of this market. However, there will be far fewer online retailers than there are today... In five years time I predict that there will be fewer than 10 online furniture retailers of any consequence in the UK."

SCENE7 ADDS VIDEO STREAMING

Adobe Scene7 has added eVideo streaming to its hosted rich media publishing platform enabling users to easily upload, transcode, edit, manage and stream content. Specifically designed for ecommerce and multi-channel marketing companies, the new Adobe Scene7 eVideo Streaming Solution is ideal for producing online product demonstrations and advertising.

"Internet video is a crucial

marketing tool and Adobe Flash technology has become the number one platform for video on the web with over 80% market share worldwide," said Doug Mack, vice president of consumer and hosted solutions at Adobe. "Adobe Scene7 eVideo Streaming simplifies the entire hosted video publishing and streaming workflow so that any company can publish this content using a single centralized service."

CROSS CHANNEL INNOVATIONS

Sears is planning to open a warehouse-style concept store called MyGofer in the town of Joliet, Illinois, that will allow shoppers to order online and pick up their purchases in the store or at a drive-through portal.

The Chicago Tribune reports "The prototype, slated to open by this summer, is expected to fill a niche between Wal-Mart and Amazon.com and could provide a model for the giant retail chain to eventually operate with fewer stores and lower overhead."

Meanwhile leading Canadian general merchandiser Canadian Tire has announced the closure of its home delivery service in favour of using its website to drive customers to its stores. It will continue to invest in its site and from Spring will begin offering a click 'n' collect service in some areas to allow customers to order online for later collection at a local store. It is also adding more detailed product information to help consumers choose more easily, plans to improve site navigation and is adding technology that makes the site more accessible for disabled people.

E-PROCUREMENT SUCCESS FOR PLAY.COM

The entertainment retailer's Managing Director has been waxing lyrical on the subject of e-procurement. Wax Digital's e-procurement solution "is instrumental in helping Play's purchasing team to accurately weigh seasonal shifts in demand, historical buying trends and stock levels, ensuring that stock levels are optimised to meet the demands of our nine million strong consumer base," says Stuart Rowe, Play.com's Managing Director.

The e-procurement system generates a daily buy sheet for each category specialist, presenting a tailored view of recommended products and volumes for purchase and using a traffic light system to highlight urgent stock replenishments, allowing the Play.com team to manage extensive product portfolios.

"With an increasing product portfolio each buyer needs greater visibility of stock control and management — Play.com now has over 7 million product lines — staying lean and fulfilling customer demand during peak times is key to our online trading," added Rowe.

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PROFIT PER PIXEL SECOND

THIS last month has seen Ian Jindal up to his nose in web analytics and trading reports, pondering the painful question of "conversion": can this really be a useful metric for etailers?

Now there's no arguing that conversion is a 'metric'. Number of visitor sessions ending in a purchase, divided by the total number of visitor sessions. Ta-daah. After a month of looking at 'the math' (as our US friends would say) I'm losing faith that this is an actionable or useful metric.

Conversion has its place in reporting: at a gross level it's a rolled up indicator of "persuasive attraction": how many people are being attracted to the site, and from that level how effectively are they persuaded to buy. However, if conversion is up or down then it's not clear that there's a single lever to apply. Unlike a car's speedometer, it's not straightforward to press or ease the accelerator to regulate the speed. Conversion as a metric lacks direct impact on the business: it's observational rather than action-oriented or definitively comparable.

Two retailers may have the same conversion, but revenues many millions of pounds apart. Equally, a multi-category retailer may have very different conversion rates across products from £3000 sofas to £20 trousers. Who is making the most money? The best use of resources?

Where products have a long consideration cycle it's misleading to simply consider the final, purchasing visit as 'effective', while the previous ones are somehow 'overhead'.

A final objection is that in a multichannel world research and purchasing may take place over different channels - where then does 'conversion' help drive our activity?

My contention now is that conversion should be consigned to the dustbin of

pointless, but detailed, metrics - nestled alongside the "hits" measurement from the 90s.

What then can satisfy us as being a rolled-up metric, against which you can manage your business and which is directly comparable across etailers, categories and time?

Such a metric would need to include as a factor the notion of "profit" - otherwise it's simply an engineering metric of 'activity'. Equally, it should relate to maximising invariants.

In traditional retail we have a universal metric of profit per metre of shop space. This illustrates a retailer's effective use of the fixed resource (space) and their management of yield and profitability.

Online, our limitations are different. While some of us may still believe in the misleading fallacy of the 'infinite warehouse', we know that our two limiting factors are:

- the screen size - there's no use having a magic warehouse if the window is small, dirty and germ-ridden!
- the attention span of the customer, measured in the number of seconds they'll spare for you in which you may persuade them to buy.

This leads to a metric that could be expressed as yield or profit per pixel-second.

We know that not all pixels are created equally and placement is vital: persuasive messages, imagery, promotional prominence, branding, tools - all vie to colonise the limited space. Different retailers take widely diverse options - luxury brand stories versus pile 'em high, money-off screaming. Let's measure their effectiveness on yield.

So then to customers. We've noted before that a rising tide floats all boats, and until the end of 2008 there were

plenty of new customers spending evermore time online to allow every retailer to record growth. However, in a saturated market there's evidence that online customers are settling into a core group of a dozen retail sites (where 'retail' includes aggregation/affiliate, voucher and cash-back portals who - from a customer's perspective - are simply alternative ways to shop). The battle now is for the customer's attention as much as for their money once you have that attention.

Of course, the cunning reader will realise that I've not included here the important offline dimensions - time spent handling goods in store, discussing configuration of complex furniture offers, speaking with experts about high cost items... However, a number of retailers are experimenting with ways to track a customer's activity across channels - a voucher code in-store redeemed online, purchasing cards, logging, custom item codes, case numbers...

As these gain traction - and retailers can take a multichannel view of the effort and investment needed to support sales - then yield-per-pixel-second will morph into a metric of 'yield per customer engagement second', across all channels.

At this point we'll have a universal, comparable, profit-oriented metric. This will allow us to benchmark ecommerce operations, but also see the value of etail within the mix - and importantly draw in the costs of contact centres, store activities and direct mailing into an overall cost of doing business. Maybe not next month, but such an index of effectiveness must be the aim.

Please let us know your thoughts on this (editor@internetretailing.net), along with volunteering to help assess and develop this metric.

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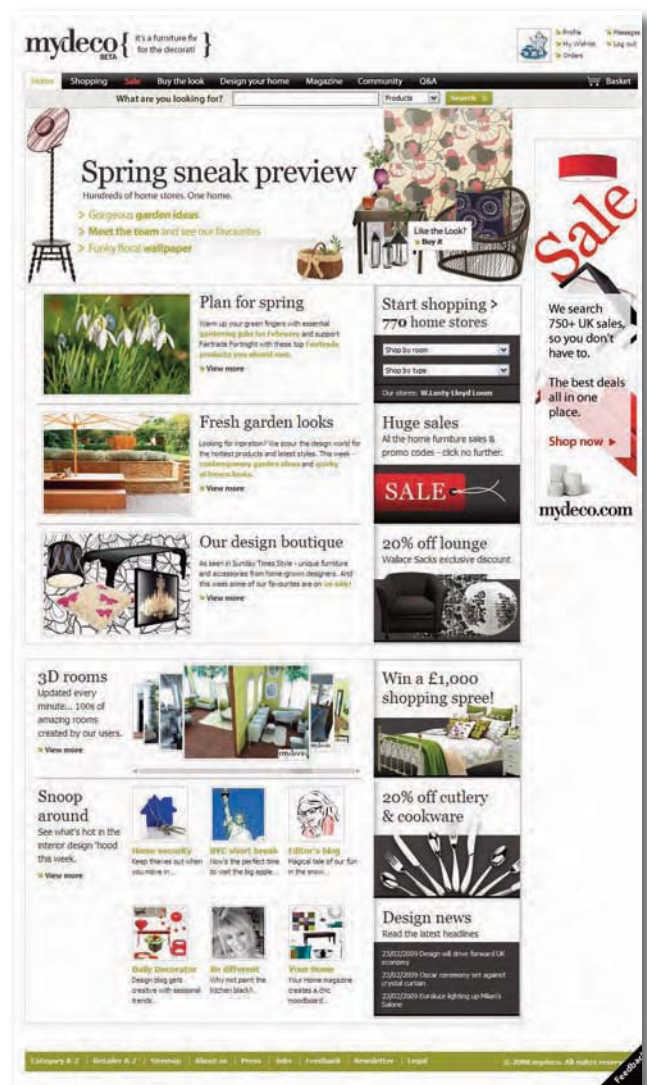
One year on from launch, mydeco.com continues to push the ecommerce envelope. Emma Herrod talks to CEO David Kelly about the company's relationships with retailers, designers, customers and everyone else in the 'home' marketplace.

MYDECO'S aim is to be "the first place to come to design and shop for your home," bringing together innovative tools for room planning and design along with five million products to date.

Essentially, the site has blended social media with a super affiliate. But to describe mydeco in such simple terms is to neglect the innovations in the areas of customer experience, technology and retailer/affiliate relationship building that went into its launch in February 2008 and the initial and ongoing development work put in by founder Brent Hoberman, CTO Paul Chudleigh and CEO David Kelly, backed by a small team. With their long pedigrees in ecommerce - Hoberman founded lastminute.com, Kelly was previously with Amazon, eBay and lastminute, Chudleigh is a lastminute alumnus - they look set to revolutionise the way people shop for their homes.

Mydeco brings together five million products (two million unique) from a broad range of retailers across the internet, along with bespoke offerings from designers. Innovative tools allow consumers to search for products by colour, style and dimensions - as well as by price - and then see how different items will look in their own room in 3D. As well as the creative tools, social and community features allow customers to learn more about design and to discuss and share their own ideas and inspirations.

"If you take the tools and the content [on mydeco] and wrap them in a rich customer experience we can engage with the customer by being useful," says Kelly of mydeco's ethos. "The overall premise of mydeco is to be the first port of call for the consumer thinking about their home,



looking for inspiration, a particular product, their style, advice or guidance on how much a job would cost or to be introduced to an architect. We wanted to be useful for customers, as well as being useful to retailers by offering a distribution channel, and increasingly helping designers."

The company operates three revenue streams: product, advertising and sponsorship, and 'other'. With a 70:20:10 per cent split, product sales are by far the largest sector of the business, although, Kelly explains that the plan is to balance out these sector shares.

RETAILERS AND DESIGNERS

The majority of mydeco's revenue comes from the sale of products displayed on the site, either via an affiliate model or through its own ecommerce basket.

The site aggregates 750 homewares retailers, but rather than following a traditional affiliate model, it has negotiated contracts directly with 150 of the retailers on the site – both big multiples and small specialists. The contracts are a mix of CPC and CPA, and in many cases include mydeco added value such as promotions, merchandising to help position them on the site, joint marketing and the inclusion of mydeco tools on the retailer's website. These tools include a mydeco widget with integrated, contextual RSS flows, designed to optimise natural search rankings and drive traffic to mydeco. The widget not only supports retailers but also helps bloggers gather more information and makes tools such as the room planner available to retailers.

Mydeco says it wants to grow the number of retailers fairly substantially so it can offer every product, and to also work closely with a smaller number of retailers. Kelly adds: "The long tail in this sector will be key as people's tastes differ."

Currently, some 20% of mydeco resources are dedicated to collecting and refining data from retailers. "When the business launched the majority of product and retailer information had to be scraped from their sites," explains Kelly. "Increasingly retailers are dedicating more resources to delivering a high quality feed, and retailers that do so are more effectively

- Aggregates 750 homewares retailers in the UK's most comprehensive homewares search engine
- A platform for 150 independent designers and provides an ebasket for them to sell through
- Three quarters of a million users visit the site each month
- Nearly 50,000 members of its social network share creative ideas, advice and design gossip
- Members from 200 cities worldwide
- Members have created nearly 180,000 3D rooms
- There are 53,000 modelled pieces of furniture in the 3D tool, all available to buy in the UK
- Nearly 500 groups have been created
- Users have uploaded nearly 400 video clips
- The profile of the busiest user, Sylvia Ast, has been viewed half a million times; she has created 500 rooms

merchandised on mydeco. We are also working on a consultative basis with retailers to develop feeds."

He explains that it is the retailers' role to provide product information, while mydeco ensures the correct customer experience in each of the product categories, exciting and engaging with the user. For instance, buying flooring is a different experience to purchasing a mattress. The firm is now working through 10 categories each month to ensure that it:

- improves information from retailers
- ensures the customer experience is different
- does what is expected of it as an retailer – SEO, PPC, PR and so on.

Ultimately, the biggest factor in conversion is not mydeco but the retailers' websites. Consequently, ►



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the company is working with them on understanding best practice and helping them to recruit employees with the right ecommerce skills.

Mydeco has control over customers' browsing and product selection experience on its own site, and Kelly says that it is now working with retailers and designers to help them to manage the ongoing customer journey to purchasing.

BASKET

A shopping basket has been added to the site to allow designers to sell direct via mydeco. It handles the purchase, sales confirmation email and payment processing, so the designer simply has to concentrate on fulfilling the order, whether it's for off-the-shelf or bespoke products. To date, 130 design boutiques have taken advantage of this service. "Some of the smaller retailers also wanted to load product directly onto mydeco," adds Kelly. This gives them higher visibility, better merchandising and drives up conversions.

Customers can be directed to the retailer's offline store as well if they prefer to actually go and see an item. Kelly explains: "We're testing to see where the tool is used, when and why, whether it's based on price or specific retailers. No one wants to compete on price and if someone is spending thousands of pounds on a sofa, most people will do so in store. We now need to know which products offered on the site are available in store and in which branches." One way of doing this would be to issue a voucher reserving an item in store for 12 hours so the customer can go and see it.

An added value for retailers is that mydeco will also act for them as an outlet for returns, excess or end-of-line stock. Kelly explains: "Some retailers don't want it anywhere near their brand, so we leave it up to them to decide whether the items go on sale branded or not."

REVENUE

Mydeco has not just revolutionised how people think about home products but it has also pushed the boundaries on how retailers work online. It is not sitting on one url, waiting for customers to come to it: its content and tools are being distributed around the internet in a number of deals and freebies. Mydeco is anchor content for the home channel on Glam Media, with its aggregated content reaching an audience of 10 million. "We can be useful to many different partners," says Kelly.

Mydeco receives advertising that helps big brands reach its key demographic of ►

TOOLS OF ENGAGEMENT

The site is using innovative technology to create a sophisticated shopping experience that allows consumers to choose their own starting point. "We are trying to replace the store visit as customers tend to do three or four visits before making a purchase," says Kelly.

Visitors can validate their style and product tastes, read editorial content, interact with the community, design their own rooms and be creative with moodboards.

Search

The 'intelligent' search engine enables site visitors to search the two million unique products by dimensions, style, cost and colour, as well as the more usual keywords. Image search also enables visitors to click on a picture that reflects what they want to buy and have other products recommended.

3D tools

Room-planning tools alter a jpeg image or a 2D floorplan of a site visitor's home or room, turning it into a 3D editable model. They can then paint the walls, hang wallpaper and alter floor coverings. They can also drag and drop any of 53,000 products into this room to see exactly how it would look in their own home. These room designs can be emailed, printed or shared online.

"The 3D tool was the hardest thing I've ever been involved in," says Kelly.

The community

The discussion forums allow established and novice interior designers and site visitors to share room designs, tips and advice and find people who share similar or different styles. (A set of questions helps people get to know their style.)

Buy the look

Users can search for products in situ across all room types and styles, whether they are celebrity inspired, a famous hotel, favourite sitcom or from one of the mydeco designers. The site hosts more than 1,000 looks to suit all budgets.

The magazine

The site includes magazine-quality content with hundreds of articles making it strong for SEO, seeding content for the community and of great benefit to the site's designers and retail partners in promoting new ranges and industry news. The mydeco design board – which includes Philippe Starck, Sir Terence Conran, Marc Newson, Kelly Hoppen, Kirstie Allsopp and Tara Bernerd – meets quarterly and contributes editorial and videos to the site. Stark – who is also one of the investors – sells his range of branded products on mydeco.

"We are seeing two types of user for the 3D tools on the site: 5% or 6% are content creators, the designers and amateurs, and the rest are content users," says Kelly. But the moodboards, which allow customers to create a collage of their own uploaded images with products on the site to create a visual concept of their room or style ideas, are being used by everyone.

"We're seeing hundreds and hundreds created each day," he adds. The next stage is to allow users to take these out of mydeco and share them with friends on social networking sites such as Facebook.

“When winning matters, the right team is key”, says Mika Häkkinen
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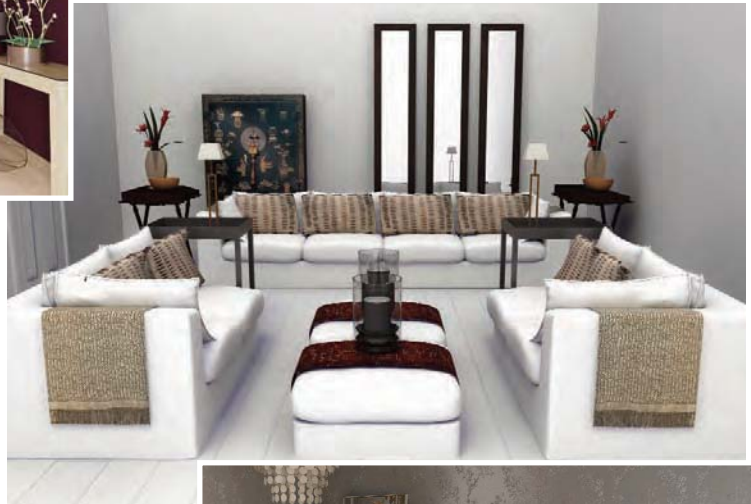
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30-to-34-year-old females who are interested in style and quality. It also negotiates direct deals. For example, Sony wanted its Bravia television to be seen as a design item since it is available in different colours. A 3D model has been included in the tools on the mydeco site so customers can see how it will look in their own room, there is special editorial, plus there was an integrated promotion campaign. Fridge manufacturer Smeg has also used a similar method to promote some of its products on mydeco.

While the site runs on open source – the company has needed to purchase only one software licence – many of the customer-facing tools have been developed specifically for mydeco. This means that as well as being difficult for competitors to reproduce, these features are valuable in their own right. The 3D tool is being offered to property developers and estate agents and enables them to render floor plans into 3D rooms, add furniture, swap colours and help convert interested parties into property buyers. “This is proving particularly interesting to property developers selling off plan,” adds Kelly.

FUTURE

“As a smaller company we’re happy to take risks. We make sure that new tools are robust before we roll them out on to the site, but customers are happy to be engaged in beta and give feedback. The internet is about putting things out there and getting feedback,” explains Kelly.

Before mydeco starts any project, it is closely examined on a cost-versus-impact basis. Kelly says: “We always look at breaking projects down into smaller parts so that most are no longer than a month or a month-and-a-half process. We spent

a year getting the core infrastructure and the basics of the business in place, so we can cycle through new projects in place.”

Coming up with ideas for expanding the business either on the site, around the internet or into the offline world is not an issue for the company. It wants to introduce reviews – of retailers rather than products – and search by popularity, and to extend the project costing tool developed with RICS into a project management wizard. It also has ideas for television programmes and ultimately plans to sell its own mydeco range. The firm recently signed a traffic-sharing arrangement with US homewares and interior design site Furniture.com. For now though, says Kelly, “we need to be a better search for home than Google. That’s our starting point.” ■

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**“ THIS SINGULAR SCOUSE TRIO
PLAY CONVOLUTED, RAPID-FIRE
POP SONGS MARKED BY
TRAMPOLINE RHYTHMS AND
DIZZYING TIME SIGNATURES ”**

INTERNET RETAILING'S "INSPIRATION INDEX" LAUNCHES



Ian Jindal explains the reasoning behind IR's Inspiration Index, and unveils the winners of the first survey.

AT IR TOWERS we're fortunate to be privy to much interesting industry news, statistics and league tables. We also get to see the many awards given to multichannel retailers. Increasingly though we've become bored with awards that tend to favour the large or shiny etailers, while ignoring the fact that a house is built of many bricks.

From our discussions with retailers we know that admiration for a company is seldom uniform, and that the sources of inspiration are to be found in many places. As a result we're focusing on those moments of admiration, enjoyment and - frankly - envy: when we look at another retailer's activities and wish we'd thought of that first, had implemented as well, or have an open regard for a difficult problem elegantly overcome.

INTERNET RETAILING'S INSPIRATION INDEX

Enter, then, the Internet Retailing Inspiration Index - IRII - a place for ecommerce professionals to admit their sources of inspiration, give credit where it's due and an opportunity to look underneath the hood, as it were, of the big, capable companies (who will no doubt still feature prominently).

The IRII will have 6 'dimensions' - each one covered in our magazine - as follows:

1. Moments of brilliance and delight (covered in this issue)
2. Customer experience
3. Operations and IT
4. Merchandising
5. Marketing
6. Strategy

The survey was conducted in conjunction with our research partners eDigitalResearch and they've also helped with analysing the responses. We promoted the IRII in our newsletter and also to the LinkedIn group and we were pleased with the response to the first survey.

We'll work through the dimensions in forthcoming issues, getting a picture of what's inspiring leading

multichannel retailers. We will dedicate our regular site review team to consider not only the winning sites' performance, but also to elaborate upon those inspirational aspects brought to light in the Index.

Towards the end of the year we'll consider an open vote on the overall winner. Perhaps we'll even pop a cork at the fourth annual Internet Retailing conference on 13 October 2009 - but let's see...

MOMENTS OF BRILLIANCE AND DELIGHT

So, where were those sparks of cunning and creativity that drive our imagination and demand emulation?

This was a very difficult starting dimension - not only because it's such a broad canvass but because the IR readership is such a 'tough crowd' - demanding shoppers themselves as well as highly knowledgeable about the tricks of the trade. It was therefore with some surprise that we found the leaders for this dimension to be:

THE 'TOP 15' FOR DIMENSION 1 Moments of brilliance and delight

Rank	Etailer
1	Amazon UK
2	Mydeco
3	John Lewis
4	ASOS
5	Apple Computer
6	easyJet
7	LOVEFILM
8	Argos
9	Play.com
10	Tesco.com
11	B&Q
12	Littlewoods
13	Fingleaves
14	Boden
15	Zappos

AMAZON

We were surprised by Amazon's top place - it's fashionable to comment upon how 'plain' their site is - but even more so at the dominant margin of victory. Nearly 34% of all respondents chose Amazon as one of their retailers. Even more telling of Amazon's authoritative position was that those who chose Amazon rate the inspiration very highly - and 100% of the supporters said that this level of inspiration was typical of Amazon!

Areas highlighted for praise in the survey were centred on the order experience (smooth, convenient and fast, ease of ordering) and then the ruthless efficiency of the fulfilment. Customer service at Amazon was frequently singled out for praise – along with admiration at the consistency of achieving this level given the business' scale and complexity.

It'll be interesting to see how many of these sentiments boost Amazon's showing in our second (Customer Experience) and third (Operations and IT) surveys...

For now, we've turned their site over to our Review Team and you can see their thoughts in the next section, and of course the eyetracking videos and screen-grabs will be online at www.internetretailing.net/features.

MYDECO

While we at IR Towers are great fans of mydeco.com we were pleasantly surprised that a quarter of the respondents shared our enthusiasm.

Respondent comments were all effusive yet considered: "The 3D design tool is very good, but by bringing all the retailers together, it offers something unique. This company is offering something new for the industry", said one. Another noted "Mydeco has exactly the right combination of well-structured shopping pages, expert guidance and surprisingly easy-to-use room-building software which mean you can play at being an interior designer...and actually succeed! It's a brilliant concept". Our hearts warmed to read this level of enthusiasm – this was the purpose behind our Inspiration Index.

While we remain at all times impartial here at IR Towers, such was the enthusiasm for mydeco that we tracked down CEO David Kelly and persuaded him to give us our main interview this issue.

Interestingly 22% of respondents felt that the developments at mydeco represented a real step change for the company: this is reflected in David's comments, the continuous R&D activity in their West London HQ and ambitious and broad-reaching plans for ongoing development.

The Customer Experience and Merchandising dimensions have an early favourite, but we're looking to see other retailers giving ideas and inspiration in these categories too.

JOHN LEWIS AND ASOS.COM

The third stand-out favourite of the respondents was John Lewis Direct, with just over a fifth of respondents citing swipe-able insights from one of the longest-established, blue-riband retailers. Some 88% felt that

innovation typified John Lewis' approach so a double compliment for the partnership from our readership.

Key qualities at John Lewis included their famous customer service, with respondents admiring the cross-channel consistency. The site redesign drew praise but the most ardent comments singled out their merchandising approach, especially around product selectivity and generating such good revenues from a relatively limited product range.

ASOS's range and presentation drew many plaudits, with one enthusiastic commentator noting "Zoom capability and the catwalk video, genius! product page layout (delivery, return and review in box) and simplicity of design." – quite a feat to cram so many features onto a page while remaining 'simple', but from such achievement is inspiration drawn!

THE LONGER TAIL

After ASOS there's a bunching of retailers who attract a similar level of diffuse votes. It's interesting to see that Apple featured so highly: even though it's not a traditional retailer its online interface and service design is clearly influencing our readers – as well as changing our customers' expectations of the online experience.

US shoe retailer Zappos.com also featured well, beating many strong UK brands, showing that our readers look globally for inspiration. The main points of wonder were their customer service and – having read Philip Buxton's piece on Social Media in this issue – it's clear that Zappos' service culture is genuinely distinctive and engrained.

Honourable mentions must go to Thomas Cook, Lastminute.com, Comet and British Airways for some inspirations that only just fell short of the 'cut – we'll be keeping an eye on these in our next survey to see if there are going to be some breakthrough opportunities!

NEXT

The next survey will be on Customer Experience and we'll publish the survey link in the IR Newsletter as soon as it's ready. Don't hold back with your thoughts – especially in highlighting examples that may have escaped us so far, or which elucidate interesting aspects of the well-known retailers.

Will Amazon take a two-stage lead? Will one retailer dominate, or will inspiration be drawn more broadly? While we at IR have our own opinions, in the IRII we only get one vote each, and so look forward to learning what's raising the pulse of retail professionals, and which features we're likely to see being emulated in 2009.



AMAZON UK REVIEW

Internet Retailing asked 4 retail experts to take a look at Amazon UK and give readers insight into the company's retail strategy, site performance, usability and customer experience. We only have room for a synopsis in the magazine – visit InternetRetailing.net for more, in depth coverage and to voice your opinion.

RETAIL STRATEGY

Ray Fowler, Retail Consultant, CVL

The recent celebration of Valentine's Day highlights the importance of relationships and as I perused the various online sites offering gifts for loved ones I reflected, probably quite sadly, on my life with Amazon and why I love what they bring to the internet.

Amazon continues to be:

- Dependable: you know where you are and you feel safe and secure.
- Comprehensive: a huge range of products, always easy to find and usually in stock. No other 'conventional retailer' site can match the choice (although I recognise that Play.com - with 7m products now - is fast approaching).
- Competitive: slightly cheaper prices may be found elsewhere - but Amazon has lower priced options around 'new or used' and other additional discounts.
- Simple and speedy: the overall experience is second to none in simplicity and '1-click ordering' makes the checkout experience unbeatable.
- Joined up: delving deeper into its capabilities - if you are shopping on the US site and want to send products to a US address the system will 'know' that you are ordering from the UK and organise everything accordingly.
- Delivery: again, quick, secure and dependable.

So what does Amazon need to do next to take our relationship to the next level?

Even my cold consultant's heart has a problem creating a list of 'multi-channel could-do-better'.

That said, I still experience frustration around inappropriate product recommendations. For example toy brands that children have long since abandoned are still recommended two years down the line.

However, I do love the incongruity of some recommendations. Recently, when I bought 'Sir Alan Sugar - The Biography' I was urged to buy 'Guerrilla Warfare by 'Che' Guevara'

Sorting out these comparatively small nuances will only increase customer retention and loyalty and ensure that Amazon and I reach our silver anniversary together.

USABILITY

Lorraine Paterson, Usability Consultant, User Vision

In usability terms, Amazon is often referenced by experts as providing examples of good practice. Being voted most inspirational retailer in the Internet Retailing Inspiration Index has proved that Amazon is very successful in harnessing its user experience to drive sales. Although some may accuse Amazon of being quite a cluttered and busy website, there are a number of individual design elements which are useful and time saving for customers.

The reason for Amazon's success is largely down to its design strategy. Instead of overhauling the entire design every couple of years, it makes smaller, incremental changes which improve on the current system or add more functionality. In addition, the company listens to the people most important to Amazon - its customers. The last design update early last year was highlighted to visitors using a link on the homepage; "We've had a redesign. Take a look". Here Amazon highlighted and annotated the various alterations and explained the features and benefits. Crucially a form was provided for visitors to feedback their opinions on the new modifications. When users are included in the process of improving the website, they can take ownership over changes and feel that their voice is valued.

The most significant characteristic of the Amazon redesign was that it only made a few revisions and of those, only one could be considered major. Designing this way removes the risk of adversely affecting the user experience. This iterative method provides customers with bite-sized changes which are easier to digest than a complete redesign.

Companies often make the mistake of doing this which not only costs a lot of money but also forces customers to 're-learn' how to use the website. If you remove the familiarity of a website then people are more likely to get frustrated, give up and go elsewhere.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

The participants of our research showed that when using Amazon.co.uk they had to use different navigation strategies depending on what they were looking for. Amazon's diversified product range has resulted in a more complicated structure with users having to adapt to understand the categories in order to successfully find a product. Overall the site performed well, apart from some serious frustrations with the menu structure.

Our testers were asked to find a book as a gift for a child that they knew and also to buy a replacement kettle for their home. Users were allowed to naturally carry out the tasks and eye tracking data was collected using a non-invasive eye tracking monitor.

Users were very quickly drawn to the left hand navigation or to the top search box with an even split between these two starting points. Users alternated between the two depending on the product that they were looking for.

'Books' is the top category on the left hand side, so users often looked to this title in the left hand navigation. Many users clicked on 'Books', expecting to be taken to the book section, eye tracking showed us that many failed to notice the sub-menu which had appeared to the right of this title, which required the user to click on another title called 'Books'.

When using the left hand navigation to find a replacement kettle, some users clicked 'Home and Garden' then 'Appliances', and others clicked into 'Kitchen and Dining' or 'Electronics'. Many users searched for the word 'kettle' from the top search box, but only a few noticed the suggested terms that appeared below the search box as they typed. The top blank search box was a visually strong device, attracting a lot of attention from users.

When looking for a suitable book, users were quickly drawn to the book titles and if a lot were displayed on a page, the user relied on the left hand navigation to filter the selection by age group. In contrast, when looking for a kettle, users scanned the page using the thumbnail photographs to make initial selections. Sorting by type of kettle was not always available to the user because it was dependent on the route they had taken to their current page.

SITE PERFORMANCE

David Flower, Vice President, EMEA, Gomez

After reviewing the 13 month trending data to February 2009 for Amazon.co.uk's website, one can only describe the performance as disappointingly slow. From the internet backbone (eg ISPs), there was a doubling in average download time from January 2008 when it was 2.4 seconds through September 2008 when it rose dramatically to 4.8 seconds. It recovered slightly towards the end of the year but download times for January and February 2009 increased sharply showing an ominous return to bad form.

Drilling down into the mid January to mid February figures, the performance of the site from the last mile - ie actual desktop connections which show real-life online customer experience - was not much better. In fact, when compared to other websites in Gomez's retail benchmark, it was very poor, lagging way behind other major retail sites. The average download time, including all the information below the fold, was 12.7 seconds. (This reflects total load time not necessarily perceived load time.)

At the end of the period, Amazon.co.uk ended up in the bottom half of the Gomez UK retail benchmark, showing that the site is providing end-users with an inconsistent, and likely frustrating, performance experience.

On a positive note, the Amazon.co.uk site successfully loaded on all the major browsers as well as on major mobile devices. This is an important factor to test for because of the increasing number of web browsers available (Microsoft's Internet Explorer owned virtually the entire browser market until a few years ago but Firefox, Safari, Google Chrome and a host of others are catching up fast). Web pages can look and perform differently from one browser to another.

Clearly Amazon has invested heavily to ensure its site performs on all the major browsers. However, the speed and consistency of the site is likely to be a real let down for its customers.

STAR RATING MADE UP AS FOLLOWS;

Availability on last mile:

3 points out of a maximum of 20

Response time on last mile:

4 points out of a maximum of 20

Consistency on backbone:

6 points out of a maximum of 20

Competitiveness on backbone:

0 points out of a maximum of 20

Browser/mobile support:

20 points out of a maximum of 20

All performance data refers to non-cached pages.



ROYAL MAIL

FREEDOM WORLDWIDE, is an online retail concern specialising in high-quality fancy dress, and currently diversifying into toys and gadgets. If you're after an adult Captain America outfit complete with muscles, a girl's deluxe cheerleader's costume as seen in High School Musical, or a remote control helicopter, Freedom's www.realdealcostumes.co.uk site or its power seller sites on eBay are the places to look.

Managing director, David Denholm, responsible for the day-to-day running of the company, says, 'We started online in July 2007 and the company has grown significantly since then. This year, despite the credit crunch, we're achieving 300% growth.'

An outsourced warehousing solution from Royal Mail, as well as a host of cost-effective delivery services, has aided the company's phenomenal growth.

A growing concern

Such a phenomenal rate of expansion eventually posed a difficult but not wholly undesirable problem for the fledgling company: it ran out of warehouse space. 'At the time,' comments Denholm, 'we were having to manage our own warehouse resources but because we were growing so rapidly, we outgrew three different facilities.' Picking errors began to creep in; 'We knew we wouldn't cope with the projected deliveries for Halloween 2008,' says Denholm.

It was at this point that Freedom Worldwide approached Royal Mail for help with warehouse fulfilment.

The perfect fit

In June 2008, Freedom signed up to use space in one of Royal Mail's shared-user facilities, as well as a range of despatch services. 'We

were hoping outsourcing to Royal Mail would help us achieve our plans for growth by allowing us to concentrate on our core business rather than warehousing,' comments Denholm.

No longer constrained by space, the company can now buy more from suppliers, and buying in bulk effectively drives down the prices they pay for products. They can also pass on savings to their customers leading to increased customer satisfaction and the potential for further business growth. As predicted, Halloween proved an extremely busy time for Freedom, with over 5,223 orders being processed in October. But despite the increased pressure, Royal Mail despatched all orders on the day they were received.

One of the key components of the successful partnership between Freedom and Royal Mail is the level of IT integration the companies have achieved. The warehouse management system facilitates reporting on the receipt of goods from suppliers, picking, packing, and despatching of goods to Freedom's customers.

Details of despatch are related back to Freedom who can then notify their customers that the Ali G suit or Grinch costume is on its way. Not only is this good for customer service, it also acts as another inventory check – enabling Freedom to update their website and their own stock details to reflect the sale.

'Royal Mail has matched our growth rates well,' comments Denholm, adding, 'Our miss-pick rates have improved resulting in better customer service. We've seen the effects of this in better ratings online.'

To find out more about Royal Mail's Warehousing services call 08457 950 950 or go to royalmail.com/warehousing.



EUROPEAN ECOMMERCE FORUM

As we plan for the third European eCommerce Forum (ECF) meeting in April 2009, Ian Jindal looks back on a stimulating second gathering of the ECF in London last October

FOLLOWING the inaugural session in Amsterdam in April (under the theme of "Data-driven insights", where we'd considered the role of data mining, ethnographic research and category management upon online selling) we decided to take a more complete view of the 'online shop' and so focused on what we could learn from our offline colleague's "use of space".

We were privileged therefore to hear first from Baptiste Brayé, CEO of www.locatus.es and Visiting Scholar at Harvard School of Design. Baptiste's expertise is in locating stores geographically, and via his exceptional presentation and in-depth studies of the changing urban retail geography, Baptiste posed a challenging question to the group: what's the correlative of "proximity" for online retailers? Having explained to us how competitors cluster in the real world (eg the electronics district, or fashionable streets) he questioned whether there was an analog to this online. We considered aggregators, affiliates, portals... Without doubt the question challenged the established views of separate ecommerce marketing channels and how we might work with competitors.

Before we could draw breath Ernst Consenheim, Retail Director at CompanyMap.com shared his research into space allocation and shop planning - how customers circulate through your shop space and the arrangement of shelves, islands and display areas that maximise profits.

Much as category management planning challenged us at ECF1 to reconsider our own planning, so Ernst's session made us question the way we lay out our sites and our expectations of a standardised customer journey through the 'sales funnel'.

After lunch we upped the pace with a "7 by 7" format: seven speakers, each with 7 minutes to speak and 7 minutes for questions, tasked with offering to the group some insights, learnings since the last ECF or a provocation with which to challenge the group. Such was the energy from this session that it was only the greatest effort that pulled delegates apart and into the break for tea.

The Forum closed with Michael Ross of eCommera.com sharing a new version of his "10Ps of

The ECF was co-founded by Ian Jindal of Internet Retailing and Joris Beckers, CEO of Fredhopper.com and remains a sponsorship- and sales-free confidential forum. ECF is an invite-only group of Europeanetailers with online sales in excess of €70million or whose expertise makes their business of particular interest. Joris comments that "the ECF... tries to bring the best minds in ecommerce together. Our goal is to build the strongest intellectual network in ecommerce and act like a Think Tank, rather than a conference or networking event. We do this out of passion for what we do and because we are truly interested to explore the future and learn how we can do things better".

ECFIII will be in Amsterdam on April 23-4. Further information at www.europeanecommerceforum.org



eCommerce" (see IR July 2008 and the IR conference coverage at <http://tinyurl.com/6eulftp>), updated with insights from the Category Management presentation, and metrics from retailers. Michael's session elicited great excitement and showed well how inspirations and insights at the ECF could inform best practice.

Michel Lieffering, Managing Director of Conrad Electronic Benelux BV commented that "the ECF convention was again very inspiring, because we are confronted with very successful and proven concepts from the brick and mortar world." Peter Callaway, eCommerce Director at House of Fraser noted that the "whole day was excellent and provided a good mix but the highlight for me was the "7-minute" wonders session for the sheer number of great ideas proposed".

Michael Ross noted "I think the ECF should truly be a think tank of peers who can discuss - at a detail level - the knotty issues of ecommerce and be inspired by experts from other industries." On that note we're planning for ECFIII to engage with notions of retail theatre and 'persuasion architecture' - how we can learn from the offline world how to engender desire, increase conversion, excite a memorable customer experience and differentiate ourselves from me-too competitors.

Internet Retailing is grateful to Joris Beckers and [Fredhopper](http://Fredhopper.com) for their selfless support in making this important forum a reality, and we'll be reporting from ECFIII in a future issue of the magazine.

RETAILERS LOSE OUT TO FRAUDSTERS



Fraud is taking a bigger bite out of UK online revenues.

ONE IN EIGHT businesses in 2008 suffered fraud losses in excess of 5% of total online revenues, while rates of more than 1% are now common, according to CyberSource Ltd's fifth annual UK Online Fraud Report.

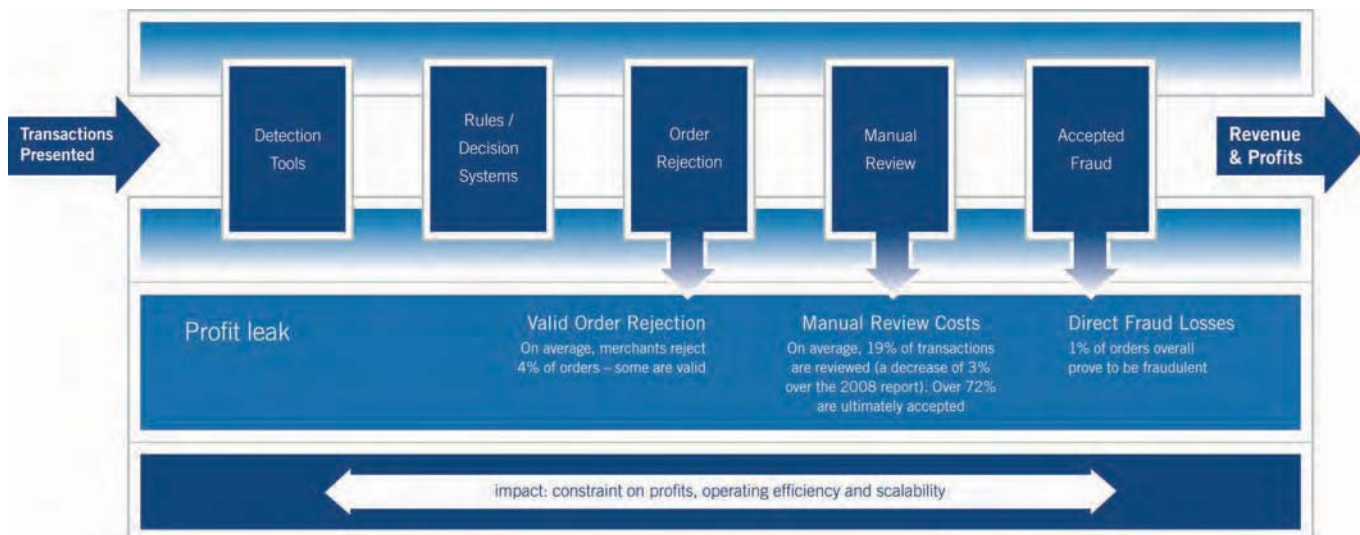
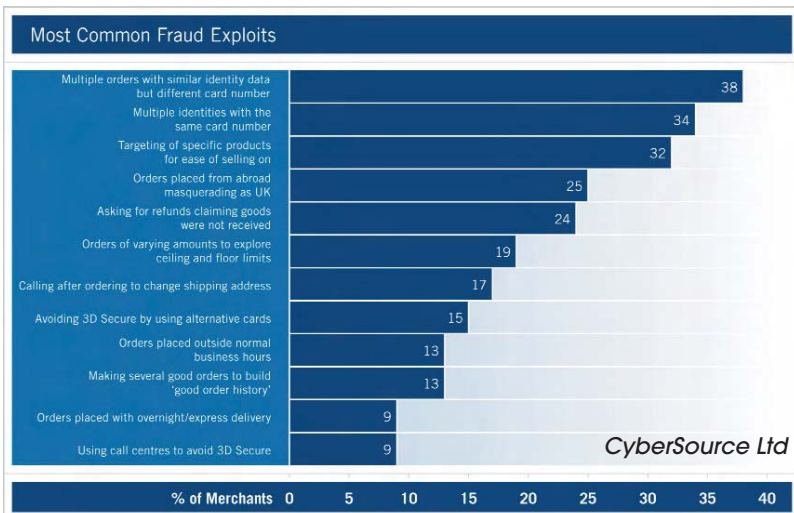
Some 40% of merchants saw their rate of fraud loss increase in 2008 as online fraud across the industry increased by 2.6%. Rates for approximately 13% of merchants climbed more than 20%. 37% of merchants now see revenue losses due to online fraud of 1% or more. The cost of fraud cannot be measured in direct losses alone, say the report's authors: more than one fifth of merchants reject over 5% of orders on suspicion of fraud, and some of these orders are likely to be valid. Merchants also have to shoulder the cost of implementing various

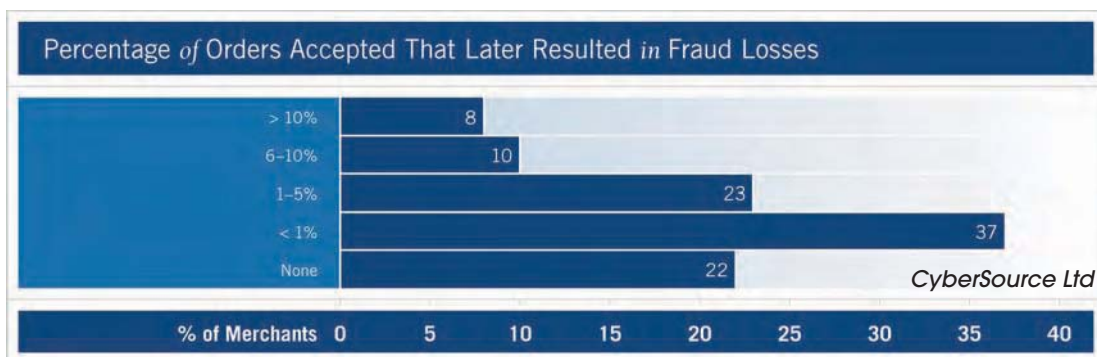
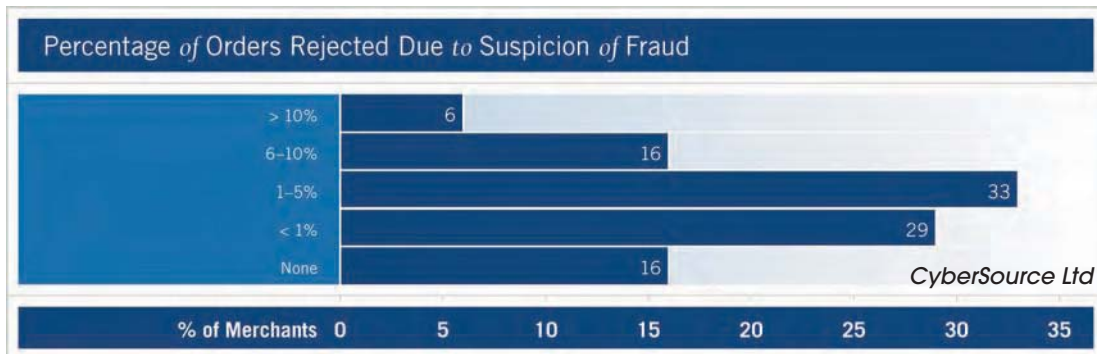
anti-fraud tools and employing staff or outsourced service providers.

"UK merchants continue to bear a heavy burden of fraud, including high costs and consequent profit losses," commented Dr Akif Khan, co-author of the Fraud Report and the head of client and technical services for CyberSource Ltd. "There are hopes for promising new anti-fraud developments coming from government, but even with this kind of support the merchants' principal protection will, for the most part, remain the tools and programmes that they can assemble in their defence."

The losses come despite continued investment by merchants in tackling the fraud problem. The addition of support for the Verified by Visa and MasterCard SecureCode schemes has been the most popular anti-fraud investment in 2008 with 16% of merchants integrating the programmes. Approximately 60% of UK merchants now employ these services.

Detective Superintendent Charlie McMurdie, Police Central e-Crime Unit commented: "As this report highlights, e-crime is a major problem and one that we believe cannot be tackled by law enforcement alone. To address the problem successfully, we will need the continued support of industry, through expertise, information, and most importantly a willingness to come forward and share information about the problems you are facing. Working together I hope that we can improve the situation for merchants large and small, across the UK."





MANUAL REVIEW

Many merchants continue to rely heavily on manual reviewers to identify fraud, with 10% reviewing every single order. Checking against their own customer order histories for indications that there might be a problem may seem an obvious step but it is hard to manage effectively when dealing with large order volumes.

Of the more sophisticated merchants, who only review suspicious orders, approximately 19% are passed for manual review. Over a quarter of the suspicious orders are declined with 72% accepted representing a relatively high false positive rate. According to the report this may indicate that the automated fraud screens flagging up suspicions need to be better tuned.

"Manual review often forms part of a merchant's defence against fraud, but as a first line of defence it is both expensive and inefficient," said Dr Khan. "With margins under pressure in today's challenging economy, merchants should be looking to improve the use of automated fraud screening processes so that they only need to review those orders that are flagged as suspicious. This could have a significant impact on the cost of managing fraud.

"While all continue to invest in new anti-fraud tools, for the more sophisticated merchants that

investment is no longer about the frantic addition of new technology, but more about the refinement of existing systems. Newer data sources such as ID verification are being added to automated screens; manual review is being made more efficient with dedicated applications; merchants are paying more attention to the source of orders by examining customer history and identifying the devices from which they make their orders.

"All of these developments will help merchants minimise the losses from fraud, and the cost of managing the problem, but they cannot eliminate them. Fraud makes business particularly difficult for new market entrants with limited resources, and remains a drain on resources for the largest retailers. The announcement of a new e-crime unit is welcome, because although it will only be targeting the larger more organised threats, it will also have a responsibility for training and co-ordinating the national response to online fraud. However it is operating on a limited budget when compared with the massive losses generated by card-not-present fraud, estimated by APACS at £162m in just the first six months of 2008. With returns like this, the possibility of prosecution will need to increase dramatically in order to deter fraudsters."



GO AWAY

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Leading websites accepting PayPal:



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1) Forrester Research: UK Merchants Should Consider Accepting PayPal. April 2007 2) Based on analysis of Top 100 PayPal merchants using Express Checkout. 3) Based on a Q1 2008 SME survey



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YOUR OPINION COSTS

Philip Buxton takes a tour of social media, the balance retailers play between listening and replying to their customers' conversations and asks "is it worth it?"

SOCIAL MEDIA is not a fad. It is a major driver of the fundamental shift in the relationship between brands and consumers to which retailers, perhaps more than any other sector, must adapt, or fail.

Clearly, the effects are most obvious in the way social media – whether ratings tools, user-generated content, forums, networking sites such as Facebook, or communication services like Twitter – enables customers to share their experiences. We now have unlimited ability to share our views, meaning that tales of bad customer service can be passed from user to user so quickly as to render the brand's own marketing an irrelevance. Retailers are at the sharp end of this step-change in the power of social recommendation since nothing stirs positive or negative opinion than the question 'what should I buy?'

Dell computers is the most popular example of the effects of – and potential reaction to – this phenomenon. Besieged by bad customer sentiment – a search for Dell used to yield a litany of complaints in Google's natural search listings – the company set up a blog devoted to customer support. It enabled the business to hear and deal with customer issues quickly, as well as deliver a never-to-be-forgotten side benefit: Google's listings soon began to deliver the blog alongside complaints, encouraging customers to come to Dell, rather than engage in the storm of negative influence that had gathered outside its walls.

But, the good news for retailers is that tales of great customer service can become equally 'viral'. Zappos.com, which calls itself 'a customer service company that just happens to sell shoes', has become famous for being the very vision of a modern retailer, highly engaged in social spaces and built around customers – not revenue per square foot.

One story has made it particularly famous. A lady decided to order eight pairs of shoes in new sizes in the hope that some might fit her mother who had become ill and lost weight. Zappos' no-

cost returns policy made this possible. After delivery, she called the company to say she would return all but two pairs. Two weeks later, Zappos rang to check if everything was okay since the 14-day free returns period was nearly up and no shoes had been received. The answer was a sad one: her mother had died and she hadn't got round to sending them back. She would do so very soon. 'Don't worry,' answered Zappos, 'we'll send UPS to collect them.' That day, the collection was made. The next, a basket of flowers arrived on the lady's doorstep offering Zappos' condolences.

That lady also happened to write a blog. Her subsequent post, 'I heart Zappos' (www.zazlamarr.com/blog/?p=240), has been viewed by millions.

RIGHT TO REPLY

As, Richard Clark, E-commerce Marketing Manager, UK and Ireland, for DSGi, comments: "Customers are not trusting brands as much as they used to. Word of mouth was always the most powerful tool [in purchase decisions] but that has moved from the pub to online."

Clark has overseen DSGi's involvement in social media on a range of fronts. Uncensored product review content from Reevo.com is hosted on the Dixons site, a Facebook page for Currys will be launched this month, and he manages accounts on micro-blogging service Twitter for both these two brands and PC World. These activities ensure – at least – that DSG brands exist in customers' social spaces. Meanwhile, he and his team regularly monitor forums to gauge feedback and – sometimes – engage in conversation with customers.

"People on forums want to be able to say things to each other," says Clark. "We do post on certain forums where relevant – if it's something customer-service specific like a TV wasn't delivered – but otherwise we want them to feel able to have that conversation."

Paul Doleman, Chief Technology Officer at search and social media agency iCrossing – and

a former retailer himself with experience at Tesco, The Body Shop and the Co-op – says the new digital world should prompt a complete turnaround in how retailers think about their business.

He argues that the onus now lies on brands to meet customers not only on their terms – as best represented by VRM – but on their turf. That means ‘living’ and delivering value in their ‘network’ – the combination of social sites, tools, emails, and blogs that, alongside publisher-owned websites and brand destinations, helps to shape their perceptions and purchase decisions.

Doleman says: “Social media presents conceptual difficulties for retailers. If people are hanging out and connecting with each other, they’re not shopping. If they are reading peer reviews and watching online videos, they’re not shopping. If they’re not pumping Amazon’s 1-click-to-buy button, they’re not shopping. Why would any ecommerce website owner want to give a potential customer anything that distracts them from shopping?”

The answer, he says, is to reflect not on sales channels, but the entire shopping experience: “When I go to Bluewater for a ‘fun’ afternoon shopping, shopping isn’t just shopping. It’s bumping into friends, it’s stopping for a coffee in Starbucks to chat about which cushion we should buy or gadget I’ve seen, it’s discovering something fun or new, it’s seeing a demo, it’s listening to some music, it’s browsing – it is inherently social. Online is the new town hall, the new medieval marketplace, and social media is the conversations that used to happen in those places.”

Thus, he adds: “Social tools enable you to get your consumers excited about your products and services. It enables them to connect and freely talk about what you do to make their lives easier. The strategy and tactics behind pulling it all together is the challenge. Getting buy-in from your senior management while they keep trying to increase revenue per square foot will be a challenge, but – in the end – bringing people together to connect is going to change everything you know about selling online in the best possible way.”

ROI

Still, the most obvious question – ‘how can social media help deliver sales?’ – is beginning to be answered.

Ankur Shah, founder of social marketing agency Techlightenment, is focused on this new generation of sites and tools as deliverers of ROI.



He says: “Rather than just using social media as a brand builder, retailers should be using it as a platform to sell their goods.

“We see social sites – like Facebook – as being halfway between billboards and search engines in terms of the level of declaration of interest that the audience has given in your particular product. In places like Facebook they tell you what sex they are, how old they are, and where they live, as well as their interests. In social media, audiences tell you what they like.”

Based on this information, Techlightenment uses tools, including keyword-targeting, to deliver advertising to more targeted audiences in social media sites. He says that this kind of targeting has helped them deliver three to five times the conversion rates than on Google. He is also sure of the potential for social messaging services like Twitter to deliver useful sales and promotional messages to opted-in customers.

In the end, the core question is not whether or not retailers choose to engage in social media, but whether or not they choose to engage with their customers. Those companies whose business has been built around commoditisation – of products, of space, and of customer relationships – will find the shift of power to digitally-enabled consumers hard to manage. ■

HOW TO CLOSE ONLINE SALES IN A DOWNTURN

MAXIMISE ONLINE SALES POTENTIAL AND MAINTAIN LOYAL CUSTOMERS IN THE TOUGH MONTHS AHEAD



IN A TOUGH ECONOMIC CLIMATE online sales for Christmas 2008 far exceeded expectations with growth over 50% in some sectors at a time when high street retailers reported disappointing results. With online sales for UK

and Europe expected to rise by 6.2% (Source: Forrester Research) for Christmas 2009, how will your organisation capitalise on this promising market opportunity as the downturn is expected to last for at least the next 12 months. E-retailers need to be focusing on strategies that differentiate them from the competition and increase their share of consumer spend.

“...organisations need to tie context-aware initiatives to their e-commerce.”

Gene Alvarez, Vice President, Gartner Inc.

Whatever the market conditions, **driving up your average order value** and **reducing shopping basket abandonment** are two strategies guaranteed to improve revenues in the online channel. Gartner Analyst, Gene Alvarez recommends that organisations need to tie context-aware initiatives to their e-commerce. This means winning more sales by always presenting the shopper with the right package, at the right price and at the right time for them to buy.

“...a powerful tool for e-business managers to tackle shopping basket abandonment, increase online sales and order values, protect margins and help manage inventory more effectively.”

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- ✓ Targeted promotions and incentives to increase Average Order Value (AOV)
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- ✓ Seamless experience fosters customer loyalty
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“BroadVision eMerchandising™ gives us the ability to boost our strategic sales activities with an intelligent incentive program and to offer our clients an outstanding online experience.”

Bruno D'Hauterive, IT Director at La Poste

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“...Since the 'go live' ... our online sales have increased by 40%.”

Bruno D'Hauterive, IT Director at La Poste

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VRM: A GOOD IDEA WHOSE TIME HAS **COME**



YOU MAY have noticed that we are in the mother of all recessions. A global economic infrastructure predicated on consumerism and politically encouraged in a race for financial superiority. A spiral of ever increasing salaries, bonuses, corporate revenues, property prices and national GDP is, as history tells us, unsustainable.

Born in 1950, I have had the privilege (guilt) of participating in, contributing to and enjoying the excesses of my generation. However, maybe due to my age, I have been questioning the veracity of such statements as 'I promise to pay the bearer on demand the sum of . . .' printed on our bank notes. You can put this down to the cynicism of age, a tendency to pay more attention to what politicians and financiers are saying, or an awareness of the implications of the fundamental mistakes, hypocrisy and bare-faced lies reported in the media. I have long been waiting for the little boy in the crowd to shout out 'Look! The Emperor has no clothes!' and then I heard it - 'Property, it's not worth it!'

Northern Rock, Lehman Bros, the dominos began to fall, first in the financial sector, then into the manufacturing industry, with GM, Chrysler and Wedgewood, and retailing, Woolworths - and it has only just begun. As banks stopped trusting banks, banks stopped trusting businesses, businesses stopped trusting customers - and individuals stopped trusting everybody, not least government.

So what has this got to do with Marketing in the retail sector? Everything! Marketing is about communication - communicating the right message, in the right way, at the right time. Marketing has to be in tune with the zeitgeist of the moment and the message of the moment is not screaming 'You need a cheaper, bigger, faster, new one of these now!' It is more along the lines of 'Slow down, we are all in this together, trust us!' Trust is the new Green (don't get me started on 'green'!)

Retail is the interface between producers and consumers, willing buyers and willing sellers. The relationship has changed and, despite protestations from politicians that we will be 'back to normal' (whatever that means) in a couple of years, it has changed for good. The marketing mantra (courtesy of a Printshop in New York) of

VRM doesn't replace but is the much needed reciprocal to CRM. Graham Sadd, CEO & Chairman of PAOGA Ltd, examines the considerable cost and legal compliance benefits.

'Quality, Speed, Price - Choose any two!' is no longer good enough. The consumer wants the best of all three.

The relationship has long been driven by suppliers using technology (and psychology) to exploit the fears and greed of the consumer. The suppliers who wielded these weapons most effectively succeeded against their competitors and were rewarded not only by increased revenues but also by investors - paradoxically the very individuals (directly or indirectly through pension plans) who were their targets. And so you have the symbol of eternity - the snake eating its own tail.

Your brand represents the values you stand for and can be 'devalued' in a moment in the mind of the customer/investor by bad press or a wrong word. Just ask Gerald Ratner what the word 'crap' did for his bottom line, or Terry Leahy what the word 'tough' did for Tesco's market cap in January this year. The right word to be synonymous with your brand for the future is 'trust' - and you had better be prepared to live up to it.

By way of example, a bank (and retailer) who in my opinion has earned this epithet is the Co-op. It has long resisted the temptation to go with the flow, being labelled 'boring' and 'risk averse' in the process. They stuck to their principles of being an 'ethical' organisation operated, as a mutual, by and for their customers. For 'boring' and 'risk averse' read 'consistent' and 'safe' - in my view they define the role model for the foreseeable future. And make no mistake - there is no 'getting back to normal'. The world has changed and organisations (and government) need to plan for the future to succeed. To quote L P Hartley from the Go-Between Prologue, "The past is a foreign country: they do things differently there." ►

So what role can Vendor Relationship Management (VRM) play in this brave new world? If you want your customers to trust you then you must first trust your customers (citizens, patients, employees, etc.) You must trust them to hold and manage their information in the same way that they hold and manage their money.

For a moment just take off your jacket and revert to being a mum, dad, shopper, citizen. How do you feel about providing your personal information to an organisation, private or public, knowing what you know about how it is stored, used and abused? It reminds me of the candid statement from the CEO of BarclayCard who advised his children not to borrow too much on a credit card.

Back in the last century the technology, complex and expensive, was only available to the large organisations that used it, for good reason, to try and target relevant marketing messages by capturing information about a customer and their buying habits using CRM.

However, in the face of growing competition, this quickly morphed into exploiting the technology to reduce costs and automate services which devalued consumers as partners and exploited them in a quest for profitability. There was no 'relationship' in this one-way traffic and, as the data itself became a tradable commodity to be sold, shared or lost, so trust and loyalty diminished. No-one asked my permission to 'sell' my information, the 'opt-out' box is buried in the T&Cs, and if/when it is lost or stolen (external hacker or internal sleeper), no-one tells me if my file was one of the '... 40 million financial records stolen'. At best this results in a deluge of SPAM in my inbox or junk mail in my post - at worst it facilitates identity theft and fraud resulting in financial loss and personal reputational damage.

VRM provides an alternative for the growing number of individuals with valid concerns. Only 40% of 18-25 year olds and 25% of 45-54 year olds are happy to shop online [YouGov, 2008] and more than 90% of internet users have either declined to provide or have fabricated information because of privacy concerns [Hoffman, Novak and Peralta, 1999]. How does that revalue 'your' data?

These concerns are not unfounded given the increasing media coverage of the vulnerability of databases held by both private and public organisations. None of us would think of walking through a street market holding out a handful of cash for a vendor to help themselves. We would be mugged - and it would be our own fault. But we are expected to hand over significant personal



information without the equivalent of an inside pocket with a wallet from which we can extract the minimum information appropriate to the transaction. What shocks most individuals (not just consumers) is to learn that the personal details of the average UK citizen is held on 600 global data silos (according to research carried out by Privacy International about 5 years ago). I suspect that this has doubled during the past 5 years given the increase of spam and identity fraud.

Some statistics from APACS (2007-08) that may or may not surprise you:

- Phishing and spyware scams contributed £22.6m to online banking fraud in the UK.
- Internet shopping accounts for 9.6% of expenditure but 41.7% of all card fraud and 77% of cardholder-not-present (CNP) fraud.
- 45% of UK internet users don't shop online.

The Data Protection Act provides legislation and penalties for abuse however the real risk is to trust and reputation.

Coming from the ecommerce world, I have been working on VRM for 5 years and it was never as a replacement but the reciprocal for CRM. Today, with the growing penetration of broadband and the power of home PCs, it is time to rebalance the buyer/seller relationship by introducing VRM tools and services. It not only enables a two-way conversation and data sharing as appropriate between willing buyer and seller but also shares the load of data maintenance and legal responsibility between both parties.

Enhanced communication, reduced costs, improved accuracy, legal compliance, transparency, trust - why wouldn't any organisation who has ever uttered the words 'People Are Our Greatest Asset' embrace VRM with both arms?

The breakdown of trust is a serious problem for us all - VRM is a part of the solution whose time has come. ■

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IT'S NOT A SALE UNTIL YOU DELIVER

WITH MORE AND MORE RETAILERS going on line to abide the challenging times, the subject of home delivery has become one of utmost importance. Whatever channel your customers use to buy from you, their expectations of an efficient and successful delivery are the same, and this factor can make or break your business. According to a recent survey carried out by the Royal Mail, 68% of people who abandon their cart, do so owing to delivery concerns. These concerns included the cost of the delivery, the time it would take to be delivered and the delivery options offered.

It's obvious that in order to provide people with a wider variety of delivery options without paying exorbitant prices, a multi-carrier approach is required. Making use of each carriers' specific capabilities and harnessing the areas in which they excel. However, integrating into numerous carriers' systems and managing between them costs businesses time and money and is a cumbersome process, often with little visibility.

MetaPack have come up with a solution in the form of their Delivery Management software (DM). It's a single system which integrates into all UK B2C carriers ensuring that the complexities of using a multi-carrier network are made simple through automatic carrier allocation and cross compatible label printing. Established in 1999, MetaPack were around when online retailing was still in its infancy and have built up strong relationships with a large network of carriers and ecommerce platforms, seamlessly transferring information between them to allow complete visibility from point of sale right through to delivery and even returns.

Although customer satisfaction with the whole delivery process is crucial, it's the far more obvious dent in the bottom line that causes most businesses concern. Costs of delivery failures, returns and customer enquiries have been estimated at 420 million pounds per annum by the IMRG. Reducing the number of first time delivery failures, automating the returns process and proving customers with complete tracking information throughout the process minimises these losses. While some couriers do offer these services, they are often cumbersome to then relay on to your customer. Not so with MetaPack's DM which automates emails and SMS' with status

updates which can go to customer, retailer, customer services, 3PL or any other chosen recipient who you'd like to keep informed. This was one of the defining factors in Asos' choice, as Stuart Hill head of Customer Logistics explains, "since the go-live of DM we have already experienced benefits to customer services by selecting carriers with tracking capabilities more often and providing the tracking codes directly to customers reducing the numbers of customers calling in. With the text updates we expect to reduce the queries coming into our call centre by half as well as reducing the dissatisfaction of those who do still call in."

- British shoppers will spend £63 billion on goods for home delivery - £2,185 each
- 820 million parcels will ship to 27 million shoppers
- 11.5% of e-retail home deliveries will be FIRST TIME DELIVERY FAILURES, i.e. 94 million
- 1% of e-retail home deliveries will be UNDELIVERABLE, i.e. 8 million
- £420 million of direct costs will result from delivery inefficiencies and failures
- £0.50 of inefficiency cost on every parcel

IMRG Valuing Home Delivery Report 2008

It's clear why MetaPack is fast becoming a known entity in online and multi-channel retailing with customers ranging from the likes of well known brands such as John Lewis, M&S, Screwfix and DSGi Group to a whole host of smaller retailers sending anything from 20 parcels a day. So much so that their software is even the engine behind the Internet Delivery Is Safe (IDIS) accreditation from the IMRG. The charter which sets out the standards of home delivery acts as a mark of assurance to those who may avoid online shopping or are coming to it for the first time – as many shoppers move away from the high street and onto the internet. And with your competition being just a click away, these are factors which cannot be ignored.

IMRG estimates that £4 billion per annum of benefit is currently available by resolving delivery inefficiencies and that industry adoption of IDIS Delivery Manager by MetaPack could realise at least 50% of this



THE WHOLE PICTURE



AMAZON is widely and rightly regarded as out there, as one of the best if not the best of internet retailers. But is Amazon really as good as it is cracked up to be?

Amazon's computer, bless it, cannot tell the difference between 'me' the avid consumer of gory video games, the discerning reader of novels, and the voracious devourer of business books – or for that matter, me the buyer of gifts for friends and family – all bought by or for different people using the same customer account. For this reason, its carefully constructed book buying recommendations, based on my previous purchases, are often hilariously wide of the mark....Here's one example from last week, trying to sell me books about PHP...ignoring the fact that all I know about PHP is that I bought a book on it for one of our software developers about 4 years ago.



But Amazon's problems don't stop there. While it knows everything I have purchased from it (in my different guises) over the past years, it knows nothing of the books I have bought from Borders, the music I've bought from Apple and elsewhere, the electronic gadgets I've purchased from numerous different outlets. And it certainly does not know which I still have, which have long gone, and which were not for me in the first place.

So, on the one hand, from the information it has, it has an extremely distorted picture of me. On the other hand, this information only gives it a tiny glimpse of the real me. (Sorry Amazon, we don't

William Heath and Iain Henderson of Mydex discuss the potential of VRM for retailers and how businesses can find out – to great degrees of accuracy – which customers are interested in dealing with them about what things, when.

mean to pick on you; indeed the work you do far outstrips most in generating relevant messages for me. We could equally as well substitute Tesco, Nectar, Google or a Government's ID scheme as 'single customer views with similar weaknesses).

Trouble is, this isn't some minor, marginal glitch that's easily sorted out. It's a fundamental, structural weakness in Amazon's data architecture. Not even the most sophisticated customer relationship management system with the most sophisticated 'single customer view' (of the customer's dealings with that particular organisation) can ever provide it with a genuinely rounded, complete picture of my purchases. Even the most advanced, cutting-edge behavioural targeting tools can never capture what the customer is going to do next, because all it captures are behaviours, not plans and intentions.

The core insight of Vendor Relationship Management (VRM) is that individuals know themselves – what their current circumstances are, how these circumstances are changing, what their current interests are, what their current priorities are, what their obligations are, what trade-offs they will find acceptable, what their immediate and future plans are, and so on – better than anyone else.

Of course, that has always been true. What is new however, is that the ongoing digital revolution is making it possible for individuals to capture this information electronically, which in turn means it can be shared with interested organisations... if the individual wants to.

DATA STORE

VRM rests on two core pillars. The first is digital personal data stores that help individuals gather, store, analyse and use the information they want and need to manage their lives better. The contact ►

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list on your mobile phone, or that spreadsheet analysing household spending, are the precursors to fully fledged personal data stores which, over time, will grow to be as sophisticated in terms of software and functionality as corporate IT systems are today. The potential volume and range of information that could be held on individuals' personal data stores (they may have many different personal data stores for different purposes) is immense. They include, for example, interactions and transaction histories with supplying organisations, reference and administrative information, research into products and services etc across every aspect of the individual's life: my home, my money, my health, my hobbies, my car, etc.

Personal data stores sit on the side of the individual and add value as a tool in the hands of the individual, and as such have little immediate interest to online retailers ... except for one thing. Having gathered this data – much of it automatically as a simple by-product of making purchases – I could choose to share it (or at least, parts of it) with my chosen suppliers. So Amazon could see my transactions and those of my wife and my son as belonging to separate people, and it could also see what I purchased from its competitors too. I can even do the necessary verification where necessary, for example, if I'm buying something where I need proof of age. With user-driven personal data stores, the individual is able to validate claims very effectively; often taking cost out of the equation for the supplier.

VOLUNTEER

This leads to the second pillar of VRM: volunteered personal information. When I type a search term into Google I am volunteering information about myself: information that no market researcher, behavioural targeting or CRM system could ever capture; information that says an awful lot about what I want and when I want it. It's so good in fact, that Google has built a multi-billion dollar a year advertising business on the back of it.

But like the contacts list on your mobile phone, Google is just a first, crude illustration of a much bigger principle. If individuals know more about themselves than anyone else – their circumstances, preferences, plans, priorities and intentions – they are now increasingly able to give or trade this information with their suppliers.

Why should they? Why would they bother? They will only do so if a number of basic and obvious preconditions are met, such as, they are confident that the supplier will not abuse their trust, it's easy

“ THE CORE INSIGHT OF VENDOR RELATIONSHIP MANAGEMENT IS THAT INDIVIDUALS KNOW THEMSELVES BETTER THAN ANYONE ELSE. ”

and hassle-free, and there's a clear 'ROI' – I get some demonstrable value in return for my investment.

In simplistic terms, this is one aspect of the current work agenda of the VRM movement. So, for example, the Liberty Alliance (an IT industry body including the likes of Intel, Sun, Oracle, Novell and BT) has recently launched a special interest group to hammer out what contractual terms and conditions and compliance requirements are needed for individuals to feel confident about sharing personal information with organisations on a mass scale. Meanwhile, entrepreneurial start-ups such as Mydex Community Interest Company are developing scalable, auditable, easy-to-use infrastructure for individuals to provide chosen organisations with volunteered personal information, while research is under way into the potential scale, benefits, implications (and pitfalls) of volunteered personal information as it gains critical mass over the coming years.

What does this mean for online retailers? Very simply, VRM and its two supporting pillars of personal data stores and volunteered personal information, hold out huge potential for retailers to eliminate massive amounts of guesswork and waste from their businesses, to find out – to great degrees of accuracy – which customers are interested in dealing with them about what things, when. In comparison, retailers excluded from this new source of rich, real-time information may find themselves working 'in the dark' with much a slower, murkier grasp of their customers' changing priorities and preferences.

But for individuals to choose them as information-sharing partners, they will need to pass all the necessary tests of trust, convenience and value: by helping individuals work better to their own, personal information agendas. Becoming 'VRM-ready' may require some big changes in operations, infrastructure and attitudes. But it also opens up new opportunities for much closer, more trusting win-win relationships between retailers and their customers. ■



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The screenshot displays the MarketDirect Hosted Payment Page for 'Value Wines'. At the top, there are language options for 'Français' and 'Change?'. The page title is 'Value Wines' and it features the MarketDirect logo with 'Service Payment' and 'Payement Sécurisé'. The transaction total is shown as '\$79.99' in US Dollars. A dropdown menu is open, showing a list of currencies and their corresponding values: DKK - Danish Krone (482.76), EUR - Euro (64.80), NOK - Norwegian Krone (548.12), GBP - British Pound Sterling (43.49), ZAR - South African Rand (659.26), SEK - Swedish Krone (599.00), CHF - Swiss Franc (103.92), and USD - US Dollar (79.99). Below the dropdown, there are images of a Visa and a Mastercard. The page is divided into 'STEP 1 Credit Card Information' and 'STEP 2 Finalize Payment'. The 'Finalize Payment' section includes a warning: 'Please review your payment information to ensure you have entered everything correctly. Once you're ready, press the "Complete My Order" button below once to charge your credit card and finalize this payment. Note that order processing might take up to a minute, please do not press the button more than one time.' A green 'Complete My Order' button is visible at the bottom.

Illustrates dynamic currency option

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POWER OF THE CROWD

Emma Herrod asks what empowered customers mean for product development, design and intellectual property.

THE RISE of ratings and reviews, social networking sites and blogs emphasises what social creatures we all are: not only does everyone have a voice that they want heard, they also want to be able to collaborate with their peers.

New retailing business models are taking advantage of this desire to have a say, and have switched from placing products in front of potential customers to giving them the raw materials and the tools to design exactly the product they want. But participants do not get a completely blank canvas; they are given a starting point in the design process to ensure that they are happy with the product they come up with and that it can be made within the promised delivery time.

The starting point may be a t-shirt (with a fully-customisable print, as offered by Zazzle or Spreadshirt) or something made up from core, digital, pattern parts – such as StyleShake's garments, Nike's training shoes or Marks & Spencer's men's shirts.

PATTERN PARTS

"Not everyone is a fashion designer," says Iris Ben-David, founder of bespoke fashion brand StyleShake. So StyleShake gives customers the 'building blocks' of basic tops, skirts, waistbands, dress parts and accessories which change seasonally, along with materials in different colours and patterns. Visitors to its website can then use these to design a garment which others can view and vote on and, of course, buy. Delivery is promised within ten days since each garment is made from digital patterns to the customer's exact measurements at the company's premises in London.

"It is where user-generated content meets ecommerce," says Ben-David. "StyleShake combines customers' input with our expertise. This is as close as it gets to haute couture in front of your computer." And talking of haute couture, Ben-David does not see the design houses or top-end high street as competitors but as potential collaborators.

The firm already collaborates with French retailer 3Suisses and is looking to work with others in the UK and overseas.

StyleShake is certainly successful when it comes to persuading its visitors to get involved and come up with their own designs. It cites some impressive statistics, with 95% of visitors starting to design their own dress. The average number of garments per registered user is more than three, while the average time spent on the site is 14.5 minutes. "Conversion is similar to the industry standard for our type of site and we are working to increase that as we establish the brand," adds Ben-David.

CONTENT OWNERS

Taking product customisation one step further is Zazzle, a US company founded in 2001 and which launched in the UK in 2008. Zazzle says it "brings together two of the best business models of the time – Dell for product customisation and eBay sellers".

The site has 27 base product lines, including t-shirts, mugs and bags; add in all the different sizes, styles and colours and there are 2,000 skus in total. These items all have a base price to the end customer.

Content owners upload their artwork for Zazzle to print onto the base items and decide on the royalty they will charge end customers. In essence, a licensing agreement is signed between Zazzle and each content owner. Content owners come in all sizes, from artists working from home to large brands such as Disney, with some sellers earning six-figure sums from their content on the site.

A visitor's journey moves from picking the base product to selecting the image they want printed and where; this can be further customised by the addition of their own artwork, photograph or text. For example, a poster of Disney's Pooh Bear could include an image of the customer's daughter and the words 'Happy Birthday'.

Zazzle handles the transaction and passes 100% of the royalty to the content owner, along with 10% of the baseline cost. This pricing structure is site wide as, according to co-founder and Chief Product Officer Jeff Beaver, the company's ethos is that "we are in it together".

Product turnaround is 24 hours. "Because of volume levels most of the process is automated," explains Beaver. "As soon as someone orders, software takes over." Most of the US and UK orders

are printed using a proprietary printing process at the company's California plant, but shoes are printed and custom sewn in China and bulk shipped to the US twice a week. Shoes are delivered to the customer within two weeks. UK orders are shipped from the US to the UK, with Zazzle paying any VAT and customs duties, and then sent via Royal Mail, "as if they were made in Liverpool".

"We would love to have localised production in the UK, but at this point in time, with the state of the global economy, we have to keep a conservative, strategic approach," says Michael Karns, Zazzle's Head of International Development.

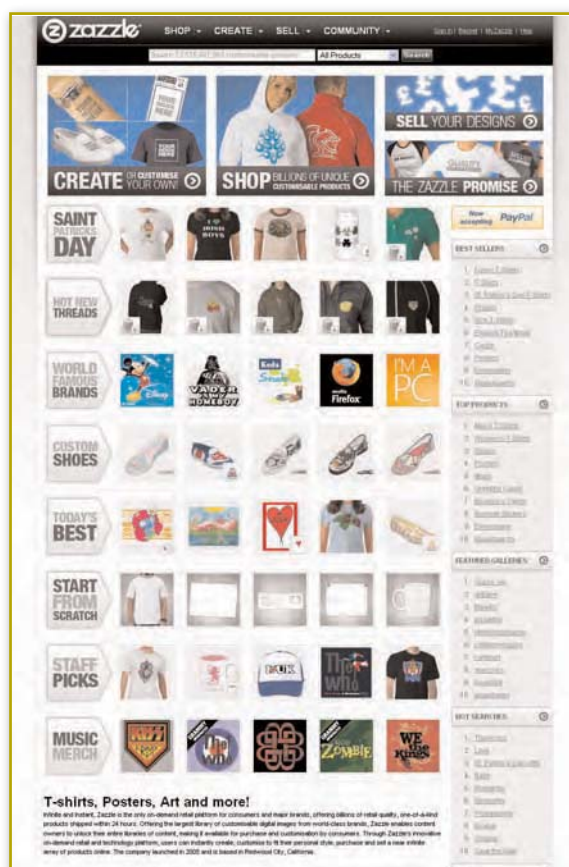
The company has had to develop its own printing processes for clothing, so high-quality one-offs could be printed efficiently. "We still innovate in this field with most of our products," says Beaver. "And we are constantly pushing the boundaries of customised products."

Future plans include increasing the level of content with a sister site, ArtsProject/Labz, set up for working with the design community. Further international expansion is planned into mainland Europe and other locations, and Beaver and Karns anticipate half of the company's business will come from abroad.

SPREADSHIRT

In Europe, Zazzle is up against Spreadshirt, which launched in Germany in 2000. Spreadshirt Marketplace allows end-customers, designers and shop partners to work together to create, buy and sell designs and products from one central place. Everybody can offer designs and finished products without having to open their own shop. Designers set their own commission level for every design or product, while shop partners can pick their favourite designs and freely add them to their 'Spreadshops'. Sellers offer their creations without worrying about managing inventory, accepting credit cards, manufacturing, shipping or customer service. Shop partners focus on the creative, with Spreadshirt promising to deliver the rest. It costs nothing to set up a shop and standard ones are free to maintain.

The Marketplace works like a large shop window, where lists of the top sellers and the latest designs keep everybody updated about trends and novelties. Users can rate, tag, discuss and save designs to their favourites, upload their own



pictures or integrate them with HTML codes to blogs or sites.

M&S

Customisation online is not just the preserve of small innovators. Many cite Dell and its customisable PCs as their inspiration and benchmark for delivery targets. NikeiD is seen as the flagship of rich media while Marks & Spencer carries the baton for traditional retail.

M&S launched a made-to-measure shirt service for men in 2007. PR Manager Laura Davidson commented: "The basic rationale behind the launch is that we always aim to be first to the market with new innovations and this just seemed a natural area for us to move into. We have a very successful formal shirt business and knew that our customers were interested in made to measure shirts but that the service was only being offered by very specialist retailers and that the cost was very high. We therefore used our expertise in this area and developed a service which offers totally unique, personalised, made to measure shirts for just £30". ▶



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IP RIGHTS

In most cases development of the final product is a transaction between one customer and the product owner. While StyleShake asks customers to vote on their choice of material for inclusion in its next-season options, PepsiCo has taken this approach one step further: its Walkers Crisps brand has enlisted the help of consumers to develop new crisp flavours and to then vote for the one which will stay on sale permanently.

The six new crisp flavours that were chosen from more than one million entries went on sale on 9 January this year. The public vote in the 'Do us a Flavour' campaign will continue until May, when the five flavours with the least votes will be discontinued. The customers whose ideas made the final six have each won £10,000, while the overall winner will take home £50,000 plus 1% of net revenue sales of their new crisp flavour. This slice of sales might not sound like a lot, but if the new flavour sells as well as the existing BBQ variety, for example, the winner will pick up an estimated £57,000 a year.

Kate Withers, Associate in the Intellectual Property team at law firm Eversheds, says that while there have been some well known cases in which consumers and inventors felt they were not given sufficient reward for ideas they took to companies, in most cases they know the level of recompense in advance of disclosure.

Intellectual property issues become more complex where third parties are involved, such as the artwork being used by Zazzle. "Retailers do need to check the terms of licensing agreements very carefully since companies like Disney will be very assiduous in protecting their brands," says Withers. To allow for a fair bit of freedom with the printing and use of images the licensing agreement will be restrictedly worded and a retailer should ensure that the licensing agreement is not being breached by the additional of extra material. "There is a real risk of a claim for trademark infringement," she comments, adding that the brand owner is more likely to look to the retailer for damages.

COLLABORATION

Although ownership of retail products has not reached the level of OpenSource, collaboration models have been tried for product development. Crowdsourcing uses the power of the collective on the internet and the collaboration enabled by web 2.0 to reinvent the supply chain and product development cycle.

CrowdSpirit, for example, is a platform linking companies with a wider community of inventors and

ideas originators. One startup company has approached the CrowdSpirit community for help developing a real-time application for mobile phones. It is proposing to develop the best ideas with the people who submit them.

In all projects, participants can decide whether or not to submit their ideas depending on the reward (money, product, discount and so on), so intellectual property rights will ultimately belong to the company launching the brainstorm on the CrowdSpirit platform.

Collaborative working could also include the concept of individual retailers working together on the purchase of non-competitive items such as shoe boxes, storage and shop mannequins. These items, many of which count as cost of sales, are eating away at fast-shrinking margins. Connect, the cloud-based enterprise collaboration software from Concrete, not only enables collaborative working across a retail organisation and its international franchises, but also collaborative procurement as well.

As an example of Connect in action, Tristan Rogers, Managing Director of Concrete, explains that if tier 1 retailer 'M' is buying a quantity of shoe boxes from vendor 'A' in China for shipment to the UK, it could ask if others want to join in the procurement to increase the order size and reduce overheads.

Because the Concrete platform works 'in the cloud', it could see which retailers are buying what from whom and where there are any crossovers and potential areas of collaboration. Retailers on the platform would have to agree on how this would work within their own setups, but the data is all there on Concrete and many of the processes are automatic. "Once it has happened once, it will quickly become something that will continue," says Rogers.

Mannequins, warehousing and storage are other areas in which retailers could collaborate to reduce overheads. "If the platform and critical mass are there, it would be a significant change in how retailers operate," he adds.

It is undeniable that the internet has changed how customers and retailers interact and that it is continuing to alter ideas of what is possible within the customer-retailer relationship. The pace of change is accelerating as consumers get together, find their voice and decide to develop and design what isn't already available. The gap between supply and demand is narrowing and less stock is left blocking valuable warehouse space awaiting the next clearance sale or eBay or overstock listing. Customers are changing - but are retailers keeping pace? ■

DESTINATION ETAIL: JUST A COMMODIFIED FULFILMENT CHANNEL?

Alan Mitchell, Chairman of the Buyer Centric Commerce Forum, examines VRM and what it means for the shopper journey from initial research, needs clarification, qualification, choice, purchase and delivery.

IT'S ONE OF the first things any sales or marketing manager learns: the sales funnel. Successful companies attract as many potential customers as possible to the entrance of their funnel and then convert as many as they can into sales.

That's easy to say but confoundingly difficult to do. For internet retailers for example, it involves offering a combination of brilliant prices, excellent range, speedy and empathic customer service, websites that are easy to navigate and use, and so on.

If we look at sales funnels from the buyer's point of view however, we get a different picture. Sometimes, as buyers, we know exactly what we want to get from where. In this case, from our perspective, there isn't any funnel at all – just a short, straight pipe leading us directly to our purchase.

At the other end of the spectrum – say, a novice entering a new category for the first time – the classic sales funnel looks equally unrealistic. Here, the buyer starts out with an narrow and apparently simple desire – say, 'I want to buy a digital camera' – but before he knows it, he's confronted with a mountain of technicalities, features, options and trade-offs, most of which he had no idea existed before he started his journey. Far from starting wide and narrowing down to a single, final purchasing decision, these buyers start narrow and go wide very quickly as they wrestle with a huge range of different possibilities.

For buyers, navigating their way through these multiple options can be a time-consuming, laborious and stressful process. Take mortgages. Before the credit crunch there were 16,000 mortgages available on the UK market. If a buyer, wanting to make the best possible decision, invested six minutes researching each product's key features, terms, conditions, plus points and potential drawbacks etc, this research phase would take 96,000 minutes. That's 1600 hours or 40 weeks worth of work – just to make one decision about one product.

What is more, buyers often have to go through this process of possibility broadening and option sifting not once but three or four times. First time round, for example, he might be focused on what camera to buy. Next, he needs to work out where to buy it from in order to get the best deal. That in turn raises new questions about how to compare retailers. Is it just about price, or do I want to factor in service, delivery, returns etc?

DESTINATION SHOPPING

For decades, retailers have helped buyers solve – or at least significantly reduce – these decision-making costs by acting as shopping 'destinations'. Destination shopping has its own particular sequence: first, go to see what is available; then make a choice from among the edited options placed before you. Sometimes, shoppers shop around among a handful of destinations. But generally speaking, until now, 'destination shopping' has been the consumer's main means of reducing potentially crippling decision-making costs.

Destination shopping is perfect for retailers. If you can win destination status, you've got it made. And while the shift from bricks to clicks changed many things, this was one thing that didn't change. While some new online destinations such as Amazon and eBay emerged, but the underlying logic of destination shopping remained unchallenged.

Now this may be about to change as new types of service help consumers make better shopping decisions at lower cost possible via different, disruptive processes. Online search is an obvious example. By letting the shopper specify in advance what information he is looking for, search massively reduces the costs of finding the right information quickly. This makes 'shopping around' much easier. Likewise, price comparison and product review services provide in seconds information that would previously have taken hours, days, or even weeks to assemble. Ditto: peer-to-peer advice.

DECISION SUPPORT

Separately and together, these new services have the potential to turn the logic of destination shopping on its head. With these new 'decision support services', the consumer's first destination when going to market is no longer a shop but a source of information about shopping. Retailers (both online and offline) may then become just a means of implementing the resulting decision – a commodified fulfilment channel.

As consumer decision-making support services gain critical mass, retailers will have to rise to a new challenge. Offering shoppers the classics – price, range, etc – is not good enough in this environment. Yes they are essential. But they are not the secret to competitive edge any more. Retailers, have to go one step further, to become the destination source of decision-making support.

What does this involve? One challenge is to understand what a better decision looks like from different shoppers' point of view. For some, it might be 'a decision-making process that leads me to a good enough product (decent quality, decent price) with the least possible time and hassle'. For others it may revolve around 'finding something that perfectly fits my exact, detailed specification'. Others might want the absolute best bargain – and enjoy the thrill of chasing it down. For each one, 'making and implementing a better decision' involves different sorts of information ... and different shopping processes.

Retailers will also need to gain a much better grasp of their customers' key performance indicators. What is top of the list at each stage of the journey? Is it time, money, hassle, anxiety reduction? What are different consumer groupings' trade-off between these KPIs?

How can retailers improve decision support and shopping processes to improve customer KPIs in ways that also improve their own?

Crucially, the implications could stretch even further into processes and infrastructure. Ultimately, to make better shopping decisions more efficiently, consumers will need to input or 'volunteer' information about themselves: what they are looking for, what their preferences are, how much they want to spend, etc. Google and its online search terms are a prototype of this 'consumer-driven' approach to information provision. Services that can crystallise research, advice, offers and so on around 'the information I volunteer about me and what I want' can offer almost perfectly 'relevant' information (and therefore value), through every stage of the shopper journey: initial research, needs clarification, qualification, choice, purchase and delivery.

Vendor Relationship Management (VRM) is the umbrella term for the business models, services, service 'modules' and technologies that are making this possible. VRM does what it says on the tin: help consumers manage relationships with vendors by exchanging information with them and organising the resulting interactions with them, in ways that add value to the consumer.

Don't underestimate significance of this development. Over time, VRM will grow to become one of the biggest and most influential industries in the world. Why? For one, very simple reason: 'making and implementing better decisions' is key to value for every individual, across every aspect of their lives and therefore every product and every service. It's the beginning of internet retailing 2.0.





Insight from ar

**COLUM JOYCE, DIRECTOR OF STRATEGY,
IMRWORLD.ORG**

Broadband has finally moved front and centre of government strategies for recession recovery and the implementation of the information economy.

Whilst the business evidence has been very strong in relation to the impact of broadband on consumer spending and satisfaction, it has taken a global economic collapse to get real government level engagement for the deployment of broadband across entire national territories.

Broadband is in essence seen as the 21st century equivalent of the great physical infrastructural investments by governments in past recessions. It serves to decrease the digital divide, increase online use, reduce the cost of service provision and increase the benefits to consumers of the internet and its enabled businesses.

It also serves an additional agenda. The necessity to reduce the material and energy intensity of our production and consumption will rely on the availability of smart grids, transport systems, retail channels, government services and a myriad of other functions. All these require vast amounts of communications capacity to achieve the efficiency and penetration required for success.

The question is whether the present accelerated levels of investment are enough and focused correctly?

In the EU €1 billion is being spent to push broadband into communities that do not have it. In the US \$6 billion is slated to improve broadband penetration across the nation. South Korea is the most interesting. Here the government, after successfully making broadband available to just about 100% of the population, is now investing billions of dollars in upgrading the capacity of the networks to levels unplanned in the EU or US. The commercial impact of this upgrade on retailers will be interesting to see.

For ecommerce businesses the increased penetration will provide a vital additional capability to push services to an even broader market. This will sensitize them to the benefits and efficiencies of shopping online. It will also mean that when the recession begins to recede, the communications

capacity for a boom in ecommerce is already in place. Our time has come.

**SIMON CHINN, RETAIL ANALYST,
VERDICT RESEARCH**

In the wake of the global financial crisis and credit crunch the economic outlook in Central and Eastern Europe (CEE) has worsened considerably. Far from being decoupled from the turmoil, CEE economies are being dragged down by the global crisis as credit is tightened and demand for exports slumps. Consequently retail prospects in the region have worsened as the deteriorating macroeconomic conditions and recessionary environment feed through to weaker demand and declining retail sales.

However in spite of the deteriorating trading environment ecommerce continues to enjoy strong sales growth, albeit from a low base. Several online CEE retailers enjoyed significant sales uplifts in 2008 especially in the run up to the crucial Christmas trading period. Online Polish retailers such as kolporter.pl, iperfummy.pl and czerwonamaszyna.pl reported customer orders were up by 70% boosting turnover by almost a quarter. Similarly sales at Poland's online consumer electronics retailer Agito.pl were up by 40% in the last quarter of 2008.

Though online sales proved resilient over the festive season their overall share of total retail remains negligible. While ecommerce continues to grow faster than traditional channels of retail, it remains predominantly focused on the electricals sector and has yet to make a significant impact on other sectors such as clothing. However the rise of general merchandise retailers and auction sites similar to eBay such as the Czech Republic's Kasa.cz and Poland's Allegro.pl bode well for etail becoming more diversified in the region.

While trading will be tough in the year ahead, those retailers with an online presence stand in a better position than their single channel rivals. The rising popularity of price comparison websites in the region illustrates the highly price sensitive nature of CEE consumers. Retailers with an online presence will have greater exposure and by focusing on

ound the world

competitive pricing should be able to drive sales growth in a challenging market.

GEORGE GODULA, MANAGING DIRECTOR, MH DIREKT ASIA

Following his initial overview of online shopping in China, George Godula takes a closer look at who is leading the Chinese ecommerce market.

The consumer-to-consumer market is dominated by Taobao, which as of Q1 2008 held an impressive 84% market share. TOM Eachnet (formerly known as eBay Eachnet) and PaiPai trail with 9 and 7.2% market share respectively.

At the end of 2004 Amazon acquired Joyo, one of the largest online retailers of books, music, videos and DVDs in the country at that time, and this has led to it holding a 15.4% share in the B2C market. Joyo (as Amazon is still referred to in China) is trying to catch market leader Dangdang which holds a 16.2% market share. Dangdang enjoys higher brand awareness, but Joyo is superior in brand conversion and brand reliability.

360buy has emerged as another strong competitor and occupies 15% of the market. The rest is controlled by vertical B2C websites, many of which also operate offline. Suppliers of baby and young children's products, pet accessories, entertainment and household electronics have been especially successful.

According to the latest CNNIC Survey Report on Online Shopping in China, China's online shoppers seem to be very loyal. Some 60% only surf one website, while only 33% surf two. Taobao has the most loyal user base with 67.3% of its users shopping solely on its website. (Many users experience online shopping first with Taobao and then shift their attention to other online shopping sites. Some 20% of online shoppers only know one ecommerce site and amongst them, 80% only know Taobao.)

In April 2008 Taobao launched Taobao Mall with B2C stores that should cater to more demanding users.

In October 2008, the leading search engine Baidu.com entered the Chinese ecommerce market with a beta version of its online C2C platform Baidu

Youa (youa.com). The online shopping system allows merchants to sell via Baidu-registered stores. The service also includes a Baidu-branded online payment system, BaiFuBao.

Ecommerce in China is still far from being a mass business. As Ma Huateng, CEO of Tencent, parent company of PaiPai, comments: "Ecommerce companies will first have to popularize the market and educate users".

SCOTT SILVERMAN, EXECUTIVE DIRECTOR, SHOP.ORG

Darwin's theory about survival of the fittest not only rings true for the cave man. During this time of economic flux, retailers around the world are focusing on how to survive the current economic climate. And while many retailers are reacting to turmoil in the US economy, it is also important for companies to keep an eye on how shoppers' behaviours are shifting.

In the US, consumer spending represents 70 per cent of our economy, and these consumers are fundamentally changing. Many have lost jobs, tremendous value in their homes and huge chunks of their retirement savings. All of these circumstances have forced shoppers to re-evaluate their spending habits and make long-lasting changes in their lifestyles.

A recent BIGresearch survey found that Americans list dining out, expensive handbags and satellite radio as the most expendable items in their lives. The good news for online retailers is that the most "untouchable" item on the list was internet service. In an environment where price matters substantially, shoppers rely on the internet to search for deals while saving money on fuel. While online retail will grow only moderately this year, it remains a bright spot in the US retail landscape.

To compensate for this change in customer behaviour, the smartest retailers are looking to do more with less by scaling back on inventory levels, addressing the current economy in marketing campaigns and re-evaluating their merchandise mix. As retailers focus on survival they will benefit by understanding how their customers are struggling too.



MOBILE

THE FOURTH CHANNEL

magazine Lucky has launched an innovative iPhone application and a website at luckyatyourservice.com that lets shoppers easily locate local retailers who have items featured in the magazine in stock, beginning with the shoes featured in its March shoe edition.

It's worth remembering too that text messaging based solutions such as Amazon.com's TextBuyIt can also work well and can be used with even the simplest phone. US shoppers interested in checking the Amazon.com price of a product they are looking at in-store, or those simply browsing on their phones, can use a new service called TextBuyIt to get product and pricing information and complete a purchase.

To use the service, consumers start by typing in search details of the product they are interested in, such as the product name or its ISBN or article number. They then send that search query as a text message to 262966 (which spells A-M-A-Z-O-N) and, in exchange, receive back a text with numbered search results. Shoppers can then request more details on any result, request more results or select an item for purchase.

The service is tightly integrated into the main Amazon.com ecommerce service so that no setting up is required in advance. The first time a consumer makes a purchase using TextBuyIt, they are prompted for the email address they have registered at Amazon.com and their account is then automatically associated with their mobile phone.

For 2009, it is mobile's potential to boost cross-channel sales that will be key. Following a successful test phase, US grocery giant Kroger has introduced

a digital grocery coupon programme nationwide to its 2,400+ stores.

Kroger's coupons are available via mobile phone or the web and offer savings on dozens of brands from leading manufacturers such as Colgate Palmolive, General Mills and Kimberly-Clark. Discounts are offered on dozens of top products each month with new grocery offers becoming available every two weeks.

The program is managed by digital coupon specialist Cellfire and, to join the programme, shoppers start by registering for a Cellfire account from their mobile phone or computer. Once registered, users can link their Kroger Plus loyalty card to their Cellfire account and the coupons available can then be viewed within the Cellfire service on their mobile phone or from any computer.

Meanwhile, Torex has unveiled a multi-channel loyalty system that adds mobile coupons and SMS promotions to in-store and web-based loyalty programmes. The platform-independent, modular multi-channel system integrates with a retailer's existing in-store technology to provide promotions, communications and analysis.

The Torex Loyalty system enables a text message containing details of an offer to be sent to a customer's mobile phone, or an email to their personal account. Retailers can also make use of SMS and Bluetooth technology to instantly alert customers to offers when they visit a store.

Meanwhile, in the UK, according to Foresee Results, 25% of British shoppers already use their mobile phones to enhance their in-store shopping experience — and those who do are buying more...

SARAH CLARK, Internet Retailing's web editor comments on recent mobile news.

For advertisers, mobile is becoming known as the third screen, after the TV and the PC. For multi-channel retailers, it now looks ready to become the fourth channel — after in-store, catalogue and web.

The latest generation of iPhones and Android mobile phones offer screen sizes and functionality that make mobile commerce a viable concept at last and retailers such as Polo Ralph Lauren as well as magazines like Lucky have been quick to make the most of their potential to drive retail sales. Condé Nast's US 'shopping and style'

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570,000 unique visitors in a single month. Fortune Cookie's redesign of slh.com for Small Luxury Hotels of the World increased reservations by **45%**, room nights by **56%**, and Average Room Rate by **15%**. The site also won Best Hotel Website at the Travolution Awards **2008**. The site we built for Accor Services achieved almost instantaneous results. Leads generated from the site increased by more than **350%** and the homepage bounce rate dropped by **50%**. Users are more engaged with the site visiting twice as many pages as before. Most significantly, more parents are saving money as a result. The 'Pensions Gym' we developed for FT Business proved to be a winning idea, when more than **1000** stakeholders registered for training sessions to learn more about investments. More than **180,000** people have taken the interactive '2 minute test' which we developed for Diabetes UK to find out whether they are at risk from diabetes. In the **5** years that we've been working on the site, bookings through kuoni.co.uk have risen no less than **71%**. The **2008** redesign lowered the

homepage bounce rate by **28%** with **40%** of visitors clicking through to the special offers.

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